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Mondale Spells Out Plan to Cut Deficit, Challenges Reagan

The Associated Press
PHILADELPHIA — Walter F. Mondale spelled out Monday his plan to reduce the federal deficit and challenge President Ronald Reagan to do the same. "You can't hide your red ink with any more blue smoke and mirrors," Mr. Mondale's plan would bring the deficit down to \$86 billion by 1989, in comparison with a deficit for the current fiscal year that the administration is estimating at \$174 billion.

The Mondale plan calls for \$85 billion in tax increases, with all the new revenue earmarked for cutting the deficit. It also includes net spending reductions of \$75 billion and an estimated \$17 billion in revenue from anticipated economic growth.

On the spending side, the largest item of savings is \$51 billion in reduced interest on the deficit. Mr. Mondale also proposed savings of \$25 billion in military spending and \$12 billion in health expenditures.

"Mr. Reagan's deficit has brought him a temporary, unbalanced, election-year recovery — and a happy talk campaign," Mr. Mondale said in a statement. "The price will be a postelection catastrophe for us and our children."

"I challenge Mr. Reagan to stop avoiding the deficit issue and start telling you what he intends to do about it. Mr. Reagan, all my cards are on the table — face up. Americans are calling your hand."

Mr. Mondale said his own budget would follow the principle of pay-as-you-go. "There will be no new spending without an earmarked new source of revenue," he said.

On the taxation side of the ledger, Mr. Mondale's plan did not provide for any increases in existing federal income tax rates. Instead, he called for further delays in the effect of a new law shielding taxpayers from some of the effects of inflation.

The new plan incorporated a Mondale proposal announced last January, under which he would raise \$60 billion in new revenues by 1989 by imposing a 10-percent surcharge on those earning more than \$100,000, a cap on the final year of Mr. Reagan's tax cuts for those earning above \$60,000, and a 15-percent minimum tax on corporations.

Bowman Cutter, a top budget official in the Carter administration, said families earning about \$100,000 would pay \$2,600 more in taxes.

To reduce spending, Mr. Mondale would eliminate most of the big new weapons urged by Mr. Reagan, including the MX multi-warhead missile, the B-1 long-range bomber and a "Star Wars" system of defensive weapons in space.

He has also pledged to streamline the Defense Department's weapons procurement program.

Cuts in federal expenditures for health care would be achieved mainly by a broad cost-control plan to lower doctors' fees for both federal and state medical assistance programs.

Federal farm spending would be reduced through better management of commodity price support programs, Mr. Mondale has said.

Mr. Reagan, asked for his reaction, said he would not comment.



Marshal Sergei F. Akhromeyev, who Thursday was named chief of staff of the Soviet armed forces, is interviewed in Moscow. At right is Georgy M. Korniyenko, first deputy foreign minister. The interview was conducted in Moscow by Bryant Gumbel of NBC-TV.

Moscow Indicates Gromyko Is Willing To Meet With Reagan After UN Visit

The Associated Press
WASHINGTON — A senior Soviet official said Monday that Foreign Minister Andrei A. Gromyko would be willing to meet with President Ronald Reagan in conjunction with the Soviet official's trip to the United States this month for the opening of the United Nations General Assembly session.

"In the past there was a tradition that Mr. Gromyko, while on a visit to New York, also visited Washington for a discussion with the president," said Georgy M. Korniyenko, Soviet first deputy foreign minister, in an interview from Moscow on NBC television.

"This tradition was violated in recent years, not through our fault," he said. "And if this time they think it proper in Washington to return to that practice, then I believe that there will be no difficulties on our part."

At the White House, the press spokesman, Larry Speakes, said that Secretary of State George P. Shultz would meet with Mr. Gromyko at the United Nations and that President Reagan "may or may not meet with other leaders who are visiting the United Nations."

Mr. Speakes said no Reagan-Gromyko meeting was now scheduled but that "the president thinks a high-level dialogue is a way to resolve differences and move forward in U.S.-Soviet relations."

Mr. Gromyko met in October 1978 with Secretary of State Cyrus R. Vance and then with President Jimmy Carter.

Mr. Korniyenko was asked whether he thought it would be a good idea for Mr. Reagan and Mr. Gromyko to meet.

"Meetings of statesmen are always useful in cases where there is no convergence of views," he said.

Asked whether the Soviet president, Konstantin U. Chernenko, would accept Mr. Reagan's proposal to meet, Mr. Korniyenko replied:

"I believe that you are not quite correct in saying that President Reagan expressed a desire to meet. He always added that a meeting should be well prepared. And we share, in this case, the opinion of the president."

Mr. Gromyko's appointment as chief of staff of the Soviet armed forces was announced Thursday, said the same program that his assignment was "just a regular change" in the top ranks of the armed forces.

Marshal Akhromeyev succeeded Marshal Nikolai V. Ogarkov, who had served as armed forces chief of staff since 1977.

The marshal said that President Chernenko, who dropped from public view for several weeks during the summer, "is working now." He declined to comment specifically on Mr. Chernenko's health.

"I can tell you only one thing," Marshal Akhromeyev said. "Konstantin Chernenko is working. He carries out his functions. And I can not add anything to that."

Asked why Mr. Chernenko had been out of public view for an extended period, the marshal replied: "Comrade Chernenko was on leave and we stated that. After his rest, he decorated our cosmonauts and he is working now."

East Germans Reassert Desire for Bonn Ties

By James M. Markham
New York Times Service
BERLIN — While belatedly embracing some of the accents of the Soviet Union's hard-line foreign policy, the East German Communist leadership appears determined to continue to maintain its working relationship with West Germany.

According to Western diplomats and officials in East Berlin, Erich Honecker, the 72-year-old Communist Party leader, does not want to allow his postponement of a visit to West Germany to lead to an unraveling of ties between the two countries.

"We are now following a policy of not letting the damage become any greater," said an East German policymaker. "The damage is already great enough. We want to stabilize our relations in a complicated international environment."

At the same time, however, East German politicians and propagandists have started accentuating the Soviet theme of West German "revanchism," a purported wish by Bonn to renege on the borders of the German Reich, and are putting new emphasis on the need to halt the deployment of North Atlantic Treaty Organization nuclear weapons in the Federal Republic.

While not breaking contacts with West German politicians, the Honecker regime evidently intends to stress links with the opposition Social Democratic and Greens parties, which have opposed the NATO missile deployment.

Mr. Honecker personally underscored this policy last week by receiving Jo Leinen, a Social Democratic anti-missile activist, the day after the Communist leader canceled his West German visit.

The goal of this tactic, according to Western diplomats, seems to be twofold. On the one hand, it might serve to encourage the enfeebled West German anti-missile movement, which this month plans to stage demonstrations to disrupt NATO maneuvers near the East German frontier.

A second and perhaps more important aim is to strengthen the hand of those like the Social Democrats and the Greens who contend that it was not so much pressure from Moscow as an unwillingness by Bonn to make concessions to Mr. Honecker that persuaded him to postpone the trip.

The triumph of such an argument in West Germany might make Chancellor Helmut Kohl more amenable to concessions if the visit is eventually rescheduled.

Following the postponement Sunday of the visit to West Germany of President Todor Zhivkov of Bulgaria, Romanian sources in Bonn said they had no doubt that President Nicolae Ceausescu would defy Moscow and visit West Germany next month, United Press International reported.

"We make our own policy," a Romanian diplomat told UPI.

A consensus among senior Western diplomats here is that pressure from Moscow late this summer was decisive in persuading Mr. Honecker to call off what would have been the first visit by an East German party leader to West Germany.

But, by some accounts, Mr. Honecker may have encouraged to push forward with plans for the trip by conflicting signals from a divided Moscow leadership.

Mr. Honecker met with the Soviet president, Konstantin U. Chernenko, in Moscow on June 14 and, in the view of a diplomat, "would never have gone forward with the plans for the visit if he didn't think he had Chernenko's approval."

But Mr. Chernenko slipped out of public view during the summer just as the strident Soviet "revanchist" campaign, widely seen as the handwork of Foreign Minister Andrei A. Gromyko, intensified.

Under Soviet pressure to call off the visit, Mr. Honecker continued to negotiate, through his envoy in Bonn, such issues as the details of a joint statement he and Mr. Kohl would issue and protocol matters such as a possible reception by West Germany's president, Richard von Weizsacker.

An East German official said it was "too simple to say that Mr. Honecker just gave in" to Soviet pressure. Rather, this official suggested, the East Germans were probing the Kohl government up to the last minute to see if it might concede enough to make it possible to persuade the Russians that the visit would be worthwhile.

Quiet U.S. Overtures to East Europe

Contacts Are Quiet to Avoid Soviet or Domestic Reaction

By Don Oberdorfer
Washington Post Service
WASHINGTON — At midday last Tuesday a high-powered group headed by the State Department's third-ranking official, Michael H. Armacost, undersecretary for political affairs, attended a luncheon given by Ambassador Gerhard H. R. Herder of East Germany.

The occasion was the 10th anniversary of official U.S. relations with one of Eastern Europe's most orthodox Communist regimes.

A few hours earlier, at lunchtime in East Berlin, a similarly weighty delegation headed by the third-ranking official of the East German Foreign Ministry celebrated the same occasion at the residence of the U.S. ambassador, Rozanne L. Ridgway.

In about three weeks, this unusually high level of contact is scheduled to be carried higher, as Secretary of State George P. Shultz confers in New York with the East German foreign minister, Oskar Fischer. The meeting will be the first between the chief diplomats of the two governments in six years.

The State Department is now seriously studying a journey by Mr. Shultz, in about three months, that would be an even more important symbol. Officials said Mr. Shultz might go to Yugoslavia, Romania and Hungary in December.

The intensified official contact is part of the U.S. response to growing signs of political and ideological differences between Moscow and its Eastern European allies.

Eastern Europe's tugging at Moscow's leash was recently illustrated by the dispute over the proposed trip of the East German leader, Erich Honecker, to West Germany, which had been planned for late this month.

Last Tuesday, the same day as the U.S. luncheon, Mr. Honecker bowed to Soviet pressure by postponing the trip. However, that action was taken after more than five weeks of unusual public jockeying between Moscow and East Berlin.

How the United States can take advantage of the trouble in the Soviet sphere is a subject of much discussion in administration policy-making circles.

Much international attention was given to the Aug. 17 public statement of President Reagan, addressing Polish-Americans at the White House, that the United States rejected any interpretation of the 1945 Yalta agreement "that suggests American consent for the division of Europe into spheres of influence" and to Mr. Shultz's statement in a Chicago speech Aug. 20 that "we will never accept the idea of a divided Europe."

The intensified contact with several Eastern European Communist governments has been given little publicity, partly because it cuts across the administration's "captive nations" ideology and partly because of a belief that the less said the better from the standpoint of the Eastern Europeans.



Michael H. Armacost

A senior State Department official said "our policy is to gradually establish more healthy, normal relations" with the Eastern European countries "in the U.S. interest and in their interest."

In a New York Times editorial section article a week ago, three prominent Democrats accused the Reagan administration of reviving John Foster Dulles's 1950s policy of seeking to "roll back" Communism in Eastern Europe.

Evidently referring to Mr. Reagan's and Mr. Shultz's recent statements, W. Averell Harriman, Clark Clifford and Marshall D. Shulman said that whether this was "serious policy or merely campaign rhetoric is not clear."

The senior State Department official, one of the architects of policy in this area, said emphatically that "no rollback" was included in pre-

(Continued on Page 2, Col. 2)

Labor Approves Israel Unity Cabinet

United Press International
TEL AVIV — Shimon Peres received final approval from his Labor Party Monday to present a national unity government to the Israeli Knesset (parliament) and become the eighth prime minister in the country's 36-year history.

After four hours of debate, the Labor Party's Central Committee put aside its reservations and voted 394 to 166 to accept Mr. Peres's agreement with Israel's caretaker leader, Yitzhak Shamir.

Mr. Peres will present his new government to the Knesset Wednesday and become prime minister until 1986, when Mr. Shamir of the Likud bloc, who is the current prime minister, will replace him.

Labor has been in parliamentary opposition since the 1977 upheaval that put Menachem Begin, who was then Likud's leader, into power.

Struggling to overcome opposition within Labor to the agreement, Mr. Peres and other party leaders said the alternative to a unity government would be new elections that could lead to another Likud administration.

Labor officials said resentment was running high over the allocation of key economic cabinet posts to Likud bloc ministers and the rise of the former defense minister, Ariel Sharon, to a position of influence in the next government.

Mr. Sharon, the architect of the 1982 Israeli invasion of Lebanon and currently a minister without portfolio, was scheduled to become trade and industry minister. His opponents fear he will use the post to expand Israeli settlements in the occupied West Bank and Gaza.

Mr. Sharon left the Defense Ministry last year after he was recommended by an investigating commission for failing to stop the massacre of Palestinian refugees by Israeli allies during the invasion of Lebanon.

The political partnership was worked out after elections on July 23 in which neither Labor nor Likud won a parliamentary majority.

Mr. Peres came under fire from the kibbutz faction of Labor, which has 120 representatives on the Central Committee. During the stormy meeting, the kibbutzniks decided to stay in the Labor Party, although they objected to a bipartisan cabinet.

Hours before the Central Com-

North Korea Opens Drive to Attract Investments by Foreign Companies

By John Burgess
Washington Post Service
TOKYO — North Korea has enacted a law encouraging foreign companies to invest in fields such as industry, construction, technology and tourism, according to a broadcast Monday by the official radio network.

The policy marks a significant departure from the self-reliance normally practiced in North Korea, one of the world's most tightly planned and policed societies. Among other things, the new law provides for formation of joint ventures with foreign concerns.

It comes at a time when China, its neighbor and ally, is using foreign technology and investment to pursue modernization.

But due to an uncertain market, continuing mistrust of the North Korean government in the West and its failure to service its foreign debt in the 1970s, the law is not expected to generate a rush of applications.

"I don't expect any direct action to result," said a Japanese analyst who is involved in trade with North Korea. "But we will watch this new change with great interest."

The law was enacted four years after Kim Il Sung, the North Korean president, called for development of economic ties with Western countries. In January this year, the Supreme People's Assembly, or legislature, reiterated the policy.

"This could be a political gesture," the analyst said, "but we think it is more out of economic necessity."

Last year, the rival government in South Korea sold more than \$20 billion in goods abroad. Industry in the north, in contrast, uses older technology and is aimed largely at the internal market.

The new law, as described by the radio broadcast, may be patterned on an investment law adopted by China in 1979. It has led foreign companies to establish automobile, electric and other manufacturing operations there.

The broadcast said that, under the North Korean law, foreign property and profits would be strictly protected. Profits and foreign employees' salaries would be taxed, but the concerns would be allowed to send money out of the country, it said.

Most of North Korea's foreign trade is with the Communist bloc, primarily the Soviet Union. Despite the absence of diplomatic relations, it also has significant commercial relations with Japan and Western countries.

Two-way trade with Japan has totaled about \$500 million annually in recent years. North Korea's purchases from Japan include machinery, textiles, steel and chemicals. Its exports have stressed lead, zinc and other ores, as well as fish products.

Economic planning in North Korea is based on the concept of *juche*, which is usually translated as self-reliance. It has led the country to manufacture an array of goods, ranging from locomotives to children's toys, that might be cheaper if imported.

In the 1970s, North Korea went on a buying spree in the West, importing entire factories, but it failed to meet payments on its debt. About \$350 million in debt to Japan was rescheduled over a 10-year period in 1978.

Trade with Japan has recovered somewhat since then, but Japanese businessmen remain cautious about dealing with North Korea.

Military Families Discover Economic Hardships in Affluent U.S. Areas

By Robert Lindsey
New York Times Service
FORT ORD, California — When Darlene Bradshaw learned that her husband, Gene, an army enlisted man, was being transferred from West Germany to California not long ago, she entertained visions of palm trees and an easy life back in the States.

Instead, she and her husband and their three children are living in a tiny automobile trailer parked in a dusty, bleak campground in this army base, along with dozens of other military families.

"They told me there's a waiting list for housing on base of seven months," she said, "and the only places you can rent off base will take three kids \$1,100 a month. Who can afford that?"

On Aug. 27, Danny Holley, the 13-year-old son of another soldier, whose family was financially distressed and had been troubled by bureaucratic snarls, hanged himself near Fort Ord after telling his mother that things would be better "if you didn't have me to feed."

His suicide has focused new attention on economic hardships affecting the families of many enlisted men and women, especially those based in regions of the United States where housing costs are unusually high, such as here on California's Monterey Peninsula.

"This is not an isolated case," said Representative Leon E. Panetta, a Democrat who represents this area. As a result of the suicide, he is seeking to conduct a congressional review of military compensation policies.

Congress in recent years has approved a series of laws that have improved wages and benefits for military personnel.

With housing allowances, a sergeant such as Mrs. Bradshaw's husband is paid more than \$18,000 a year before taxes. A colonel in the army or air force makes almost \$50,000 a year with housing and other allowances.

In addition to their salaries, military personnel have access to free medical care and food commissaries and stores where prices often are at least 20 percent less than in nearby communities.

Despite the gains, military officials say that many married enlisted men and women, as well as some junior officers, have enormous difficulty living on their salaries, especially if government housing is unavailable and they must rent in communities where costs are especially high. All officers and enlisted men who live on base are provided free housing.

Generally, they say, military families stationed in the South, Southwest and Middle West fare best. They often find that their housing allowance exceeds the rent for attractive off-base housing.

The families who have the most difficult time, the officials say, are those assigned to California, the District of Columbia, Hawaii, Alaska and facilities near large urban areas such as New York, Boston, Philadelphia and Chicago.

Several years ago, Congress recognized regional differences in housing costs and authorized higher allowances for higher-cost areas. But officials say even the allowances are often inadequate.

Few bases, the officials say, have had a housing crunch as serious as Fort Ord. Rents in the area reflect the base's site on the ocean at the edge of several popular resort and retirement communities.

For a modest two-bedroom house in the communities, including many that Lieutenant Colonel

Fred Meurer, the base engineering and housing officer, says are "hovels," soldiers must pay \$650 a month.

Based on the size of their housing allowance, he said, only about 4 percent of the 21,000 personnel stationed here, those with a rank of lieutenant colonel or higher, can rent housing off the base.

Because of the housing market, Colonel Meurer said, many soldiers must take a second job to rent a home; growing numbers of military families are sharing rented homes, one bedroom to a family; and while the army does not acknowledge it, many families are being forced to live in tents or small trailers.

The death of Danny Holley was a dramatic example of the problem. According to police, he was found hanging by a rope from a hook on the eaves of the house his parents had rented in the community of Marina for \$750 a month.

An army spokesman said that after Danny Holley's father, Sergeant Johnnie Holley, completed a three-year tour of duty in West Germany last spring, he was granted a one-year tour in South Korea, with the stipulation that he would be assigned to Fort Ord when it was over.

Before moving into the house in Marina, the sergeant, whose pre-tax monthly income was \$1,662, had to pay \$1,700 to the landlord for the first and last month's rent and a \$200 security deposit. In mid-July, after the family had moved in, Sergeant Holley left for Korea.

The payments apparently exhausted the family's resources, which had been hurt by two things that occurred during the transfer from West Germany. The army mistakenly shipped the family's car to New Orleans instead of Fort Ord, making it difficult for Mrs. Holley to look for a job; and the U.S. bank that had held the family's savings account in West Germany did not transfer the money to the United States as planned.

Although the army arranged for a \$1,300 interest-free loan and an emergency supply of food, the family still appeared short of money.

After his father left, Danny Holley told his mother, "If you didn't have me to feed, things would go better." Shortly afterward, he committed suicide.

His father has since been transferred to Fort Ord and well-wishers have sent the family more than \$3,000.

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Palestinian Major Killed As Israel Launches Raid On Camp East of Beirut

BEIRUT — A Palestinian major was killed and three other guerrillas were wounded when Israeli planes attacked a camp in mountains east of Beirut, a spokesman for the dissident wing of the Palestine Liberation Organization's el-Fatah group said Monday.

Security forces said Israeli planes were still flying over the area Monday after the attack Sunday night.

The guerrilla spokesman said in

Damascus that Major Salem Suleiman Daoud, known as Abu Hassan, died and three followers of the rebel Palestinian leader, Sayed Musa, known as Abu Musa, were wounded in the attack on the camp near the town of Bhandoun. The town on the Beirut-Damascus is four kilometers (2.5 miles) from Syrian lines at Sofar.

Major Daoud, an artillery battalion commander, was killed when an air-launched rocket hit an ammunition dump, the rightist Christian Phalangist radio quoted security sources as saying.

Military sources in Jerusalem told The Associated Press that the raid was mounted to warn the guerrillas against expanding into other troubled areas close to Israeli front lines. It was also a response to a statement on Sunday by the leader of the Lebanese Shiite Amal movement, Nabih Berri, that 50 young men were trained and ready to carry out suicide attacks against Israeli troops in south Lebanon, they said.

In Tel Aviv, an army spokesman said Israeli planes had returned safely after destroying a building at a base operated by the Democratic Front for the Liberation of Palestine, a grouping within the PLO.

The Israeli raid was the fourth in Lebanon in six weeks.

Newman's Release Is Urged

The Beirut-based Federation of Arab News Agencies called Monday for the release of the British Reuters correspondent, Jonathan Wright, missing in Lebanon for 12 days, Reuters reported.

Mr. Wright, 30, disappeared on Aug. 29 after he left Beirut on a reporting trip to an area of eastern Lebanon under Syrian control. A spokesman for the London offices of the Al Arab newspaper has said an unidentified caller claimed that the Moslem Socialist Revolutionary Organization had kidnapped Mr. Wright.

U.S. Putting Out Feelers To Restless East Europe

(Continued from Page 1)

sent U.S. policy, although "we don't accept the permanent division of Europe."

Administrations of both parties have come to accept Soviet domination of Eastern Europe as a fact but not a matter of right.

Mr. Shultz, in his Aug. 20 address to the Veterans of Foreign Wars, suggested that any change for the better would probably be gradual.

"Time is not on the side of imperial domination," he said, adding, "we may not see freedom in Eastern Europe in our lifetime. Our children may not see it in theirs. But someday it will happen."

As seen by State Department policy-makers, two historical trends as well as several recent developments lay behind the recent divergence between Moscow and its Eastern European allies.

One trend is rising nationalism among Eastern European states. The resurgence of national identity has come with a decrease in Soviet control and an ebbing of Communist ideology.

The other long-term trend is economic independence from the Soviet Union, which increasingly has less to offer Eastern European allies in aid or favorable trade.

Recent and possibly temporary developments cited by the policy-makers are:

• Uncertainty and confusion in the Soviet leadership, which several officials cited as the most important factor behind the recent public displays of tension between Moscow and its Eastern European allies.

• U.S. nuclear missile deployments in Western Europe and Soviet counter-deployments in Eastern Europe. An official said that the Russians feared their own allies and even encouraged the rise of



MAROONED — Flood victims stranded in the village of Ban Muen Srinot, in the Si Sa Ket province of eastern Thailand, waved to a passing relief unit to attract attention. They were evacuated soon afterward.

British Mine Leader Rejects Proposal For Contract Vote by Full Membership

EDINBURGH — A mine union leader rejected Monday the possibility of a vote by the union's membership on a settlement offer to end Britain's six-month coal strike.

Arthur Scargill, leader of the National Union of Mineworkers, insisted that a vote would be taken by a conference of delegates representing the 183,000 miners rather than by the individual members.

Mr. Scargill resumed negotiations Monday with Ian MacGregor, chairman of the state-owned National Coal Board.

Union leaders refused to discuss the talks, which are in their second day. The only comment came from

James Cowan, the coal board's deputy chairman, who said things were going "moderately well."

Mr. Scargill angrily dismissed a report in the Daily Mirror that the union had agreed to put the board's final offer to a vote. The paper's owner, Robert Maxwell, helped arrange the negotiations.

The union's leadership called the strike without a vote of the membership, a move that split the miners. Moderates refused to strike without a vote and have kept one-quarter of the nation's 175 mines open despite picketing.

The Daily Mirror said a vote would give rank-and-file miners the opportunity to express their views.

Mr. Scargill, however, said any offer from the coal board would be voted on by delegates from the mining regions and not by the membership. He said, "Any settlement at any time will be determined by the special delegate conference that decided to put the overtime ban and strike action in effect."

The coal board, which loses around £1 billion (\$1.27 billion) a year, wants to close 20 money-losing mines, and 20,000 jobs, and concentrate on more profitable pits. The union says it makes no sense to close mines when Britain depends on coal for 82 percent of its electricity.

A national dock strike called

Aug. 24 to support the miners picked up momentum Monday.

The Port Employers' Association said the walkout had idled 46 percent of Britain's sea trade, 7 percent more than at the end of last week. An 11-day strike in July paralyzed three-fourths of the nation's sea trade.

In addition to the longshoremen, there are about 20,000 other dock workers, such as tugboatmen and crane operators, most of whom are still working.

Britain's biggest passenger port, Dover, and its major container port, Felixstowe, were operating normally. But four of the nation's major ports, including Liverpool and Southampton, remained struck.

Earlier, striking miners scuffled with police outside a mine near Selby in Yorkshire as two miners went to work. Several miners, including the local union secretary, received minor injuries, police reported. Police said 10 pickets were arrested.

Elsewhere, a threatened rail and subway strike in the London area on Wednesday was called off by the National Union of Railwaymen for four weeks.

Jimmy Knapp, general secretary of the rail union, said union leaders wanted time to allow discussions and test-state-owned British Rail's "sincerity" concerning plans to streamline their operations.

Mr. Mondale's plan was "nothing new."

Asked whether he would present his own deficit-control plan, Mr. Reagan said, "I think I've said it more specifically than most other administrations in all the things we've been trying to do since 1981."

Lyn Nofziger, a political consultant to Mr. Reagan, denounced the Mondale plan as "a recovery-killing concoction which is ready-made to produce a recession that will throw millions of Americans out of work again, pile new and higher taxes on the backs of the average citizen and make deficits higher, not lower."

Regarding Mr. Mondale's proposal for a deficit-reduction trust fund, into which all revenues from the new tax increases would go, Mr. Nofziger said: "This is not a trust fund; it's a trust-me fund. It introduced one tax to reduce the deficit that Mondale hoped to create and another tax which he will impose to pay for his promises. This is nothing more than the old-time religion of bigger spending and higher taxes."

Mr. Mondale has pledged in the past to cut deficits by two-thirds by the end of 1985.

But estimates of future deficits vary greatly, depending on predictions of economic growth and the level of interest rates.

The Congressional Budget Office predicts a budget deficit of \$238 billion by 1985; the Reagan administration says the deficit for that year would be \$176 billion.

Administration aides say the difference is that they predict interest rates of around 5.1 percent, whereas the budget office figure is based on a 9-percent rate.

Mondale Plans to Skip Humphrey Ceremony

United Press International

WASHINGTON — The Democratic presidential nominee, Walter F. Mondale, and his running mate, Representative Geraldine A. Ferraro, have declined an invitation by President Ronald Reagan to attend White House ceremonies Tuesday honoring Senator Hubert H. Humphrey.

A spokesman said Mr. Mondale was scheduled to be in Chicago and Ms. Ferraro in Toledo, Ohio, on Tuesday. Mr. Mondale's wife, Joan, was to attend the ceremony at which Mr. Reagan will present a congressional gold medal to Mr. Humphrey's widow, Marjorie Humphrey Brown.

Mr. Cohen-Orad declined to estimate the size of the additional aid request but a senior Finance Ministry official said it would be between \$750 million and \$1 billion.

Israel is already scheduled to receive \$2.5 billion in U.S. military and civilian aid next year.

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WORLD BRIEFS

Gale Ruptures Sunken French Ship

OSTEND, Belgium (AP) — A gale Monday broke into two parts the hull of a French freighter containing radioactive cargo, the Belgian Ministry of Environment reported, according to the news service Agence Belga.

Salvage workers, who have been trying to retrieve the ship's 30 containers of uranium hexafluoride, feared that the storm, with 12-foot (4-meter) waves, would free the barrels from the bulk. Earlier in the day, one of the ship's fuel tanks was breached, sending an oil slick drifting toward Belgian beaches.

The freighter, the Mont-Louis, sank Aug. 25 on a sand bank in the North Sea 12 miles (20 kilometers) off the Belgian coast after colliding with a passenger ferry.

Hurd Replaces Prior in Ulster Post

LONDON (Reuters) — Margaret Thatcher, the British prime minister, named Douglas Hurd on Monday to replace James Prior as secretary of state for Northern Ireland.

Mr. Hurd, 54, thus stepped up to one of the most demanding jobs in British politics. He was at the Foreign Office in the first Thatcher government from 1979 to 1983 and was switched to a ministerial post in the Home Office when the Conservatives were re-elected in June 1983. The change was forced on Mrs. Thatcher when Mr. Prior, 56, made clear earlier this year that he wanted to quit. He was unable in three years to foster some form of power-sharing between Ulster's Protestants and Catholics.

Begin in Hospital; Surgery Possible

JERUSALEM (UPI) — Former Israeli Prime Minister Menachem Begin entered Shaare Zedek Hospital Monday for treatment of a prostate problem, a hospital spokesman said, adding that a decision would be made within a day or two on whether surgery would be necessary.

An aide said Mr. Begin, 71, was in good spirits. Reported for some time to be in ill health, the former prime minister has been a virtual recluse since abruptly resigning office in September 1983.

A hospital spokesman said the prostate trouble was "not unusual for a man his age." The prostate is a small gland that surrounds the urethra, the tube that drains urine from the bladder. In older men, it frequently becomes enlarged and blocks the flow.

Indian Troops Arrest 67 in Hyderabad

NEW DELHI (AP) — Troops arrested 67 people Monday as Moslem-Hindu violence continued in the southern city of Hyderabad, capital of Andhra Pradesh state. Police reported nine deaths, 130 injuries and more than 350 arrests in two days.

In the neighboring state of Madhya Pradesh, the authorities ordered a three-day curfew Monday in the town of Sendhwa after at least three people were killed in Moslem-Hindu clashes.

In the northern state of Punjab, troops and police arrested more than 1,250 farmers, forcing cancellation of an anti-government rally Monday, United News of India reported. The rally had been called to protest economic policy, but the government said militant members of Punjab's Sikh minority might try to exploit the protest.

New Zealand Leader Rebuffs Party

WELLINGTON, New Zealand (UPI) — Prime Minister David Lange said Monday his government would not implement a resolution passed at the annual conference of the ruling Labor Party to withdraw from military exercises and alliances with nuclear powers.

The motion, passed Sunday, would have resulted in New Zealand's withdrawal from the ANZUS defense alliance with the United States and Australia. Mr. Lange said, "It is not the declared policy of the Labor government or the Labor Party to make a unilateral withdrawal from ANZUS."

However, a government spokesman said New Zealand would stand by its earlier decision to ban visits by nuclear-powered or nuclear-armed ships, a stance the United States sees as threatening the alliance.

U.K. Social Democrats Bar Merger

BUXTON, England (AP) — Leaders of Britain's Social Democratic Party on Monday ruled out a merger with the Liberal Party, but vowed to pressure the alliance, saying neither party could survive alone.

Speeches by the Social Democratic president, Shirley Williams, and her predecessor, Roy Jenkins, appeared aimed at satisfying a growing sentiment among party supporters in favor of a merger. "Divided, we cannot prevail in a harsh political climate," said Mrs. Williams in a speech at her party's annual conference in this town in northern England.

Mr. Jenkins said: "Two parties we are, but we are in this together for good." He declined to go further, saying, "I have no wish to see this party itself in knots by seeking a forced or premature merger."

UN-Sponsored Talks on Cyprus Open

UNITED NATIONS, New York (AP) — UN-sponsored talks to find a solution to the Cyprus problem opened Monday with Spyros Kyprianou, the president of Cyprus, saying the situation was "delicate and critical" and too uncertain to make any predictions.

Mr. Kyprianou, leader of the Greek Cypriot community, made the remarks before meeting with UN Secretary-General Javier Perez de Cuellar in the first session of the talks Monday morning. Mr. Perez de Cuellar was scheduled to meet with Rauf Denktaş, president of the self-proclaimed Turkish Republic of Northern Cyprus, on Monday afternoon.

The talks were scheduled for Monday and Tuesday with the UN chief meeting alternately with the two Cypriot leaders.

Iraq Claims Direct Hit on Gulf Target

BAHRAIN (Reuters) — Iraq said its aircraft had scored a direct hit Monday on a "large naval target," a term it generally uses to mean an oil tanker, south of Iran's main oil terminal on Kharg Island in the Gulf.

The announcement came after a two-week lull in air attacks on Gulf shipping. There was no immediate independent confirmation.

The last such air strike was on Aug. 27, when the Panamanian-registered Cleo-1 was damaged by a rocket apparently fired by an Iranian jet. The last Iraqi attack was three days earlier, when the Cypriot-registered Amethyst was hit, causing a fire which took nearly a full day to put out.

South Africa Orders 7 Rearrested

JOHANNESBURG (Reuters) — Fresh detention orders have been issued for seven opponents of the South African government freed by a court on Friday, a spokesman for the Law and Order Ministry said Monday.

The seven, including Archie Gumede, president of the anti-apartheid United Democratic Front, had been held without charge since just before controversial elections to a new Parliament last month. The spokesman said all seven were at large and were being sought.

In Johannesburg's black township of Soweto, youths stoned a school and two delivery trucks Monday in continuing unrest that has claimed about 40 lives in the past two weeks, police said, and at Warmbaths, north of Pretoria, youths set two cars on fire. No injuries were reported.

For the Record

Canada's Liberal prime minister, John Turner, announced Monday that Conservative leader Brian Mulroney, winner of last week's parliamentary election by a landslide, would assume office Sept. 17.

The Soviet Union has revoked the citizenship of Lyudmila I. Skinner, Russian widow of a British banker, Donald Skinner, who plunged to his death in Moscow last year and who was said to have maintained contacts with the KGB and British intelligence, Moscow officials confirmed Monday. Mrs. Skinner and her two sons have lived in England since 1981.

The governing Botswana Democratic Party won a strong majority in elections Saturday for the National Assembly in one of Africa's few surviving multiparty democracies, according to results announced Sunday.

Nine Sri Lankan soldiers were killed Monday when separatist Tamil guerrillas blasted an army convoy with a land mine, Defense Ministry sources said, and four guerrillas were killed in the ensuing gun battle.

Salvador Dalí, 80, the Spanish surrealist artist, who underwent surgery on Friday in a Barcelona clinic for burns threatening his life, is in stable but still serious condition, one of his doctors said Monday.

The first Libyan diplomat accredited to Britain since the diplomatic rupture caused by the Libyan Embassy siege in April, Salah Eddin Mahdi Meslam, took up his post over the weekend, the Foreign Office announced Monday. He will work at the Saudi Arabian Embassy.

Khmer Rouge guerrillas ambushed a train Sept. 3 in central Cambodia, killing 45 Vietnamese troops, a guerrilla radio report said Monday.

The space shuttle Discovery, riding piggyback atop a jumbo jet, returned Monday to the Kennedy Space Center at Cape Canaveral, Florida, from Edwards Air Force Base, California, where it landed Wednesday following its six-day maiden voyage in space.

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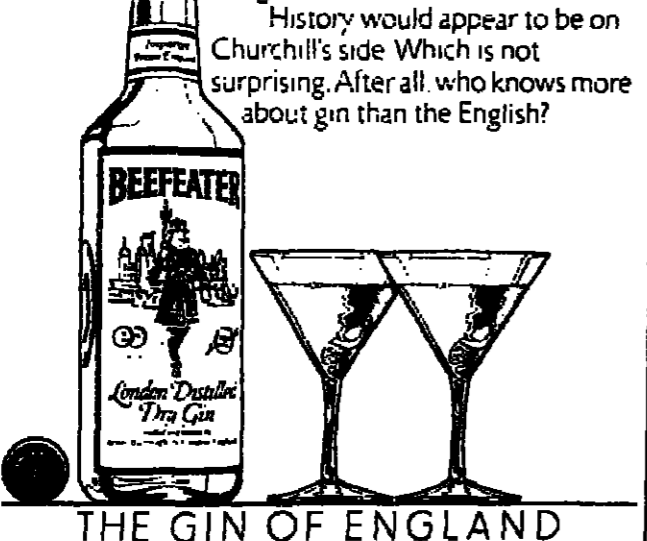
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ROOSEVELT AND CHURCHILL: A TALE OF TWO MARTINIS.

Concerning affairs of state, these two great statesmen were frequently of a single mind. But in the mixing of dry martinis, there was a parting of the ways.

FDR enjoyed his dry martini in the then traditional manner: two parts gin to one part vermouth. Sir Winston, his friend and ally, acknowledged the traditional role of vermouth merely by glancing at the vermouth bottle as he poured the gin.

History would appear to be on Churchill's side which is not surprising. After all, who knows more about gin than the English?



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WORLD BRIEFS

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Prior in Ulster Post
Margaret Thatcher, the British prime minister, Monday to replace James Prior as second in line to one of the most demanding jobs at the Foreign Office in the first place in 1981 and was switched to a ministerial post. She was re-elected in June 1981 on Mrs. Thatcher when Mr. Prior, 56, wanted to quit. He was unable to share power-sharing between Ulster's Protestants.

Hospital; Surgery Possible
Former Israeli Prime Minister Menachem Begin Monday for treatment of a prostate cancer, adding that a decision would be made on whether surgery would be necessary. Mr. Begin was in good spirits. Reported to be in a hospital in Jerusalem, he had been in the office in September 1983.

Arrest 67 in Hyderabad
Twenty arrested 67 people Monday in the southern city of Hyderabad after a series of protests. The protesters were demanding the release of a prisoner.

Leader Rebuffs Party
Zoran Djindjic, Prime Minister of Yugoslavia, Monday to implement a new policy of the ruling Labor Party. He said he would not be a member of the party.

Democrats Bar Merger
Members of Britain's Social Democratic Party Monday to reject a proposal to merge with the Liberal Party. The party is a member of the European Parliament.

Talks on Cyprus Open
The United Nations Monday to open talks on the Cyprus problem. The talks are between the Greek Cypriot and Turkish Cypriot leaders.

Direct Hit on Gulf Tar
The United Nations Monday to condemn the Gulf states for their actions in the Persian Gulf. The UN is calling for a peaceful resolution of the crisis.

Orders 7 Rearrested
The United Nations Monday to rearrest seven individuals who had been released. The UN is concerned about their activities.



GUESS WHO — Pottery mugs of Ronald Reagan are being made at the Royal Doulton factory in Burslem, England. They will be sold in the United States to benefit the James S. Brady Presidential Foundation, formed to pay expenses for the presidential press secretary. He was wounded during the 1981 attempt on Mr. Reagan's life.

Some Democrats in Congress Shying From a Ride on Mondale's Coattails

By Hedrick Smith
New York Times Service

WASHINGTON — The beginning of the presidential campaign has caused some congressional Democrats to worry about what Walter F. Mondale may do when he takes office. Some Democrats are shying away from a ride on Mondale's coattails.

Representative Thomas P. O'Neill Jr., Democrat of Massachusetts and speaker of the House, indicated last week that there was nervousness among House Democrats about a Republican landslide when he called on Mr. Mondale to "come out slugging" against the president.

"Members are worried that if it's going to be a 20-point loss, I'm going down, too," said O'Neill. He placed Democratic congressional strategies.

On the other side, Republican strategists were talking more confidently than in August of maintaining the size of their majority in the Senate and picking up 25 to 30 seats in the House.

"There's a prairie fire for Reagan," said Representative Guy Vander Jagt of Michigan, chairman of the National Republican Congressional Committee, while traveling through the Southeast and Texas.

"Our campaigns are better organized than just two weeks ago and there's a better feeling because of Reagan. Getting back the 26 House seats we lost in 1982 is well within our grasp."

In the Senate, where Democrats talked last spring of taking control from the Republicans, who now hold 55 seats to the Democrats' 45, most Democratic strategists have lowered their expectations, although they still contend they will pick up two or three seats.

But Republican leaders such as Senator Richard G. Lugar of Indiana contend that with the opinion polls showing Mr. Reagan comfortably ahead and several incumbent Republican senators with widening leads over challengers, the Republicans will probably hold their current majority.

Both parties are watching the Senate and House races closely on the ground that unless the Republicans hold a Senate majority and pick up 25 to 30 seats in the House, Mr. Reagan would have great difficulty getting his program through Congress even if he did win a second term. After the Republicans lost 26 House seats in 1982, leaving them at a 269-166 disadvantage, he was largely frustrated.

Representative Tony Coelho of California, chairman of the Democratic Congressional Campaign Committee, contends that the Republican hopes and even some jitters in his own party are exaggerated, a view shared by some other Democratic strategists. "I think the presidential race will be very close," Mr. Coelho said, with the result that the congressional makeup will not change significantly.

"The worst we'll do is a five-seat loss, and the best we'll do is a five-to-seven-seat gain."

Nonetheless, Mr. Coelho conceded that this year some congressional Democrats were panicking because of what they saw as a "rocky start" to the Mondale campaign and because of a poll published by the Los Angeles Times showing Mr. Mondale 27 percentage points behind Mr. Reagan.

Aides to Speaker O'Neill said that a number of Democratic members of the House had come back from the August recess reporting strong support for Mr. Reagan in their districts and worried that Republican challengers might ride his coattails into office, as in 1980, unless Mr. Mondale put up a stronger fight.

"People try to deny that there are presidential coattails, but that's nonsense," said an aide to Mr. Reagan.

Plan to Ease Congestion at N.Y. Airport Is Approved

By Reginald Stuart
New York Times Service

ARLINGTON, Virginia — Airlines serving New York's La Guardia Airport agreed Sunday to flight schedule revisions that could begin easing flight congestion and delays by November.

A tentative agreement was reached late Saturday on spreading out arrivals and departures at Kennedy International Airport in peak travel hours. Airline company negotiators also said that they were near agreement on peak-hour schedule revisions for Hartsfield International Airport at Atlanta, Stapleton International at Denver and O'Hare International at Chicago.

Negotiations between the carriers and the Federal Aviation Administration on similar plans for Newark International Airport were scheduled to begin Monday. No details of any of the plans were made available.

However, several key airline officials said in interviews that the agreements could fall apart if the government failed to restrict flights by private planes in the metropolitan New York area.

All agreements are subject to approval by the Civil Aeronautics Board, the federal regulatory agency that authorized joint industry talks on schedule revisions, and the FAA, which regulates use of the nation's airways.

Jack Ryan, head of the operations division for air traffic service at the FAA, said he thought the planned changes at La Guardia and Kennedy would meet the agency's guidelines for schedule revisions.

Daniel F. Klein, director of strategic planning for Eastern Airlines, the largest carrier operating at La Guardia, offered a guarded endorsement.

"There are some sacrifices but we can live with them," Mr. Klein said. "The carriers are doing their part to make the government plan work. There are still some unanswered questions. It would be a shame if we moved some departures to make way for general aviation aircraft from Westchester County."

Mr. Klein's reference echoed his earlier Sunday that the government plan flight restrictions on nonairline flights in the metropolitan New York area as part of any plan to ease flight congestion and delays at the three major airports.

He also demanded that the FAA strictly enforce its present limit on the number of arrivals and departures at La Guardia each hour, declaring that many carriers are ignoring the rules. Agency regulations now allow a total of 68 arrivals and departures at La Guardia each hour, including 48 for air carriers, 14 for commuter and 6 for general aviation.

Each carrier is allotted a set number of those slots, allocated by industry scheduling committees.

Edward P. Faber, acting general counsel of the FAA, said that the agency planned to take enforcement action against carriers that have scheduled more than their fair share of flights. He said, for example, that enforcement proceedings had already been initiated against Air Canada.

Mr. Ryan acknowledged that rules governing flights by private aircraft needed study but discounted industry assertions that such activity contributed to congestion.

President's Power and Nuclear 'First Use'

By Charles Mohr
New York Times Service

WASHINGTON — A policy analyst has recommended that the president be required to obtain the consent of a congressional committee before ordering first use of nuclear weapons. The Pentagon responded that presidents should have the exclusive right to order first use of the arms.

The question has come to increasing attention as some people have argued for a policy of "no first use" and others for one of "no early first use." The government sticks to the view that possible first use should be retained to serve off a conventional attack in Europe or in the Korean peninsula.

The issue was raised by Jeremy J. Stone, the director of the Federation of American Scientists, in the fall issue of Foreign Policy magazine.

Raoul Berger, a writer on constitutional law, supported Mr. Stone's opinion at a news conference last week. They said, however, that the president should retain the right to order a prompt retaliatory nuclear strike if the Soviet Union used nuclear weapons against the United States or its allies.

As understood by nuclear strategists, first strike would be a surprise attack with nuclear weapons and first use would entail the use of nuclear weapons if a nonnuclear, or conventional, armed attack could not be contained by conventional means.

The option of first use has been the policy of the United States since the Eisenhower administration, although some people such as de Gaulle doubted that it would ever be carried out.

In a letter to Mr. Stone of the scientists' federation, Chapman B. Cox, general counsel of the Department of Defense, said that "we do not agree" with the contention that, in the absence of an unlimited declaration of war, the president should be required to consult Congress before first use in a conventional war.

The strategy to deter Soviet attack in Europe, Mr. Cox wrote, "rests on the policy of flexible response, which would include the use, as required, of conventional weapons, nonstrategic nuclear weapons and strategic nuclear weapons. To ensure that the flexible-response policy actually deters, a potential aggressor must be convinced that NATO is indeed ready to use any of the weapons it possesses, including, if necessary, nuclear weapons."

Nonstrategic nuclear weapons are those for tactical battlefield and short or medium range; strategic weapons are those with intercontinental range.

Mr. Stone proposed that Congress set up a joint nuclear planning committee and that the president be required to seek its consent before ordering first use. He said he believed the committee should be made up of leaders of the Senate and the House and of the top two members of such standing committees as those on armed services and foreign policy.

Mr. Cox, the Pentagon counsel, called the proposal an "additional procedural requirement" on first use and contended that it would tend to undermine the North Atlantic Treaty Organization's deterrence policy.

Since the short flight times of missiles (30 minutes or less) allow little time for consultation, Mr. Stone and Mr. Berger said, the president should retain the right to order prompt retaliation, or a second strike, if the Soviet Union were to attack the United States with a first strike.

As for a conventional war, Mr. Stone's article said, it would not be decided in minutes, hours or even a few days and there would be ample time for a president to consult the proposed joint committee or even the full Congress before first use.

The Southern Sheriff, Once a King, Is Dethroned

By William E. Schmidt
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Sheriff Davis, who pleaded not guilty, is one of 21 current or former sheriffs in Georgia and Tennessee to have been indicted in three years on charges ranging from narcotics trafficking to tax evasion. So far, 13 have been convicted and sentenced to prison. One has been acquitted.

Over the years, the Southern sheriff has been regarded as a figure of almost mythical proportion. In films, he was usually portrayed as a portly, bearded, in real life, he has more often been a shrewd country politician who ruled his county like a king.

"I think all these arrests and cases serve to signal the end of an era in Southern law enforcement," says Phil Peters, executive director of the Georgia Bureau of Investigation. "The ones we are catching now are those sheriffs who have refused to move into the 1980s, the ones who want to operate the way they have in the past. These days, that's just not going to fly."

The number of cases developed against sheriffs also reflects the dramatic increase in the level of narcotics trafficking in the Deep South. Drug importers, seeking to evade coastal surveillance in Florida and Texas, have established new routes to bring their goods into the United States from South America.

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Over the years, the Southern sheriff has been regarded as a figure of almost mythical proportion. In films, he was usually portrayed as a portly, bearded, in real life, he has more often been a shrewd country politician who ruled his county like a king.

"I think all these arrests and cases serve to signal the end of an era in Southern law enforcement," says Phil Peters, executive director of the Georgia Bureau of Investigation. "The ones we are catching now are those sheriffs who have refused to move into the 1980s, the ones who want to operate the way they have in the past. These days, that's just not going to fly."

The number of cases developed against sheriffs also reflects the dramatic increase in the level of narcotics trafficking in the Deep South. Drug importers, seeking to evade coastal surveillance in Florida and Texas, have established new routes to bring their goods into the United States from South America.

In the mountains of eastern Tennessee, four rural sheriffs have been convicted over the last two years of a variety of narcotics offenses, ranging from the sale of drugs to taking bribes from drug importers.

"For years it's almost been a way of life for these rural sheriffs to take petty payoffs from prostitutes and moonshiners and gamblers," said John Gill, the U.S. attorney in Knoxville, who has directed the successful prosecution of the four Tennessee sheriffs. "Now you get drug dealers coming around waving \$10,000 payoffs in the face of men who maybe make only \$20,000 a year, and you can see what is going to happen next."

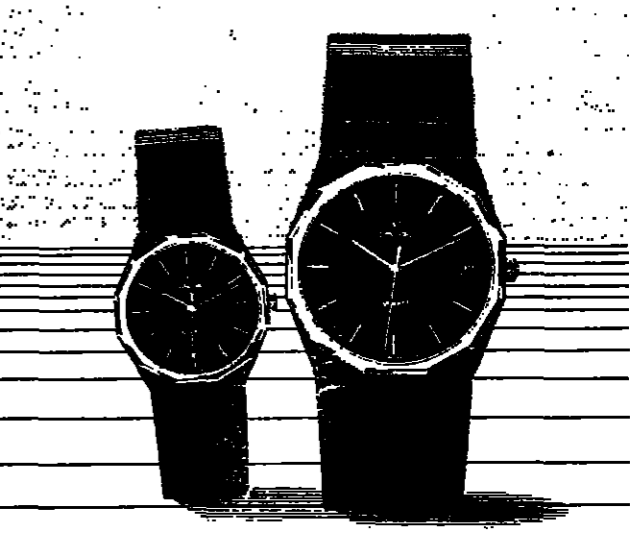
Most of the Southern sheriffs arrested in the past three years were

They said, however, that the president should retain the right to order a prompt retaliatory nuclear strike if the Soviet Union used nuclear weapons against the United States or its allies.

As understood by nuclear strategists, first strike would be a surprise attack with nuclear weapons and first use would entail the use of nuclear weapons if a nonnuclear, or conventional, armed attack could not be contained by conventional means.

The option of first use has been the policy of the United States since the Eisenhower administration, although some people such as de Gaulle doubted that it would ever be carried out.

In a letter to Mr. Stone of the scientists' federation, Chapman B. Cox, general counsel of the Department of Defense, said that "we do not agree" with the contention that, in the absence of an unlimited declaration of war, the president should be required to consult Congress before first use in a conventional war.



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U.S. Aid in Afghanistan Gains Political Backing

By Don Oberdorfer
Washington Post Service

WASHINGTON — The supposedly secret U.S. aid to anti-Soviet insurgents in Afghanistan has won increasingly prominent political support in the United States as charges are being made that the aid is insufficient.

In a change from their 1980 positions, the national platforms of both the Democratic and Republican parties recently endorsed U.S. support for the Afghan "freedom fighters." The 1984 Democratic platform even endorsed "material assistance" for the insurgents.

Such aid was secretly begun in the Carter administration and has continued in the Reagan administration, but without public acknowledgment. In late July, however, the House Appropriations Committee gave widely publicized approval to a supplemental grant of \$50 million in aid to the rebels.

Lawmakers who traveled to Pakistan, where most of the exile groups are based, apparently generated the additional assistance.

According to the Federation for American Afghan Action, a lobbying organization calling for more and better U.S. aid to the resistance, \$325 million in CIA funds has been spent on this program since it began shortly after the December 1979 Soviet intervention. The Afghan program is the largest covert CIA operation, according to a congressional source.

Andrew L. Eiva, executive director of the lobbying group, and a former U.S. Army captain, charged that he found many U.S.-supplied arms to be of poor quality or in

poor condition when he inspected them in Pakistan during 1980-82.

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U.S. Sees Resistance, Administrative Headaches in Revamping Education

By Edward B. Fiske

NEW YORK — As the new school year begins, educators in the United States are engaged in a widespread attempt to improve U.S. public education.

But the magnitude of the task ahead, and resistance to the imposition of new policies, is tempering the excitement of such a project. The Education Commission of the States, which monitors education legislation, calculates that at least 40 states have increased the number of academic courses required for a high school diploma, while 32 have changed curriculum standards or adopted new procedures for choosing textbooks.

Two dozen states have lengthened the school day or year, while 42 have moved to improve the training or raise the certification standards of new teachers.

"It's an exciting and hopeful

time," said Diane Ravitch, an education historian at Teachers College, part of Columbia University. "It is one of those rare periods of heightened public interest when the political process is focusing on academic expectations."

But educational leaders recognize the administrative complexity involved in enforcing the thousands of new laws and policies aimed at promoting excellence in education.

"We have so many reforms on the platter that we may have indigestion," the secretary of education, Terrell H. Bell, said last week. "We face the biggest test of educational leadership, administrative competence and school diplomacy in history."

Educational policy-makers are also beginning to confront what Chester E. Finn Jr., a professor of education and public policy at Vanderbilt University in Nashville,

Tennessee, has termed the "excellent backlash."

Members of local school boards have begun to complain that many of the curriculum requirements and other new standards have been enacted "from the top down." The extent of the new regulations, coupled with increased state financing of teacher salaries, they say, has seriously eroded the principle of local control of public schools.

In addition, governors and other political leaders, as well as the business leaders who backed them, now face the challenge of persuading teachers, principals and other educators to carry out policies that were to a large extent enacted without their participation and, in some cases, over their fervent opposition.

"Educators have been the missing element," said Mr. Bell, who encouraged President Ronald Reagan to make the quality of education a major political issue. "A lot

of people were saying that education was the problem. They had their chance, and they didn't fix the schools, so the legislatures had to step in and do something and then tell the educators to shape up."

The movement to improve the quality of public education has affected every state. Chris Phipps, of the Education Commission of the States, estimates that at least 240 state-level commissions and study groups have offered suggestions on how to improve schools.

Such efforts were boosted in May 1983 when the National Commission on Excellence in Education, appointed by Mr. Bell, issued a report called "A Nation at Risk," citing a "rising tide of mediocrity" in U.S. public schools and calling for reforms ranging from extra pay for superior teachers to more instruction in the use of computers.

The content of elementary and high school curriculums has been a

focus for reformers. Pennsylvania, for example, has established new state curriculum objectives that each school must meet, while Vermont has a new set of specific learning goals for each subject. Virginia has new procedures for adopting textbooks and is setting up a center to evaluate educational computer software.

Virtually every state has taken up the question of how to train better teachers. Connecticut, for example, is tightening its standards for state teacher colleges and working on a plan to give teachers 10 more days of training.

Twenty-three states have taken steps to increase the time students spend learning. Arkansas, for example, has increased the required instruction time from five hours a day to five and a half, and, beginning in 1987, will lengthen the school year from 175 days to 178.

At least 17 states have taken steps to increase teacher salaries, and a recent survey by the Southern Regional Education Board found that at least two dozen others were dealing with the issue. "There is a concerted, long-term effort to raise teacher salaries," said Mark D. Musick, a board official.

In at least half a dozen states, including Florida, California and Tennessee, increased pay for teachers is being tied to merit pay or "master teacher" programs that link higher salaries to superior performance.

Many of the education initiatives have been controversial. Teacher unions have been critical of a plan by Governor Thomas Kean of New Jersey, being emulated in half a dozen other states, to try to attract bright people into teaching by allowing liberal arts graduates to enter the field through a competency test and one-year internship rather

than requiring college courses in teaching.

The National Education Association has been vigorous in its criticism of efforts in Arkansas and several other states to test the competency of current teachers. "For years we have been screaming and yelling that we have to do a better job of screening who gets a teaching certificate," said Keith B. Geiger, vice president of the teacher organization, the country's largest. "Effective teaching is not something that lends itself to a test."

Mr. Bell realizes the need for sensitive leadership to get teachers to carry out the new policies. Some of the actions being taken

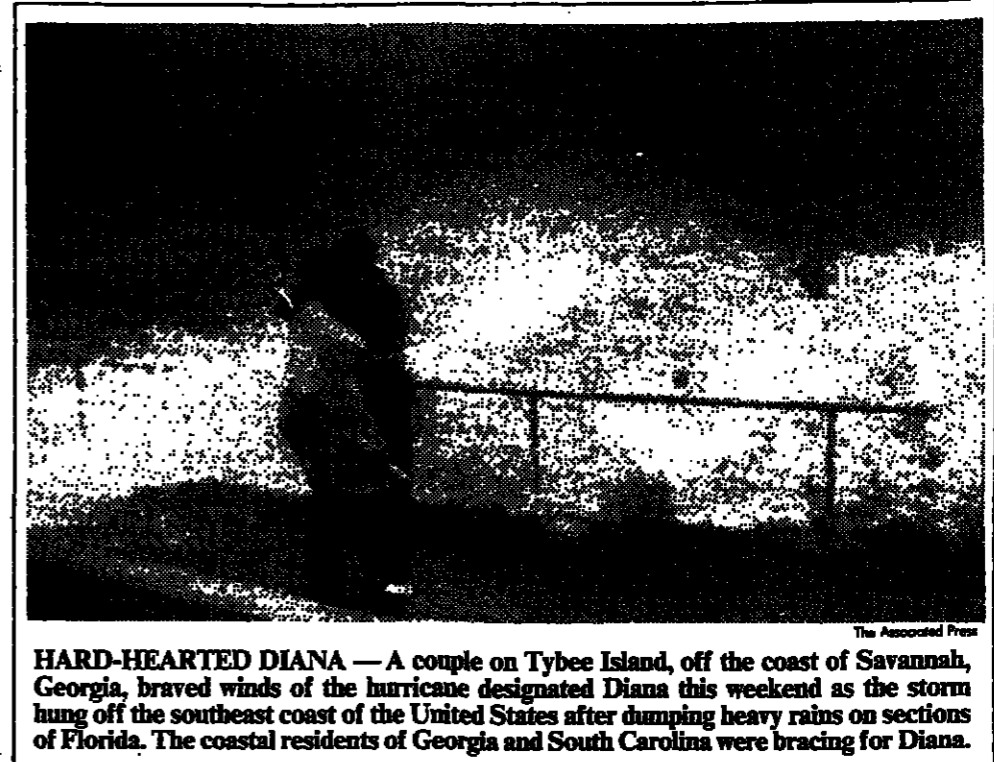
Some Teachers Vote to Call Off Strike in U.S.

United Press International

NEW YORK — Teachers in two Illinois districts and two in New Jersey ended strikes Monday and ratified new labor contracts.

But strikes over new contracts affecting 135,000 schoolchildren continued elsewhere in Illinois, Michigan, Pennsylvania, New Jersey, Louisiana and Rhode Island.

The major points being disputed are wages, fringe benefits and the size of classes.



HARD-HEARTED DIANA — A couple on Tybee Island, off the coast of Savannah, Georgia, braved winds of the hurricane designated Diana this weekend as the storm lunged off the southeast coast of the United States after dumping heavy rains on sections of Florida. The coastal residents of Georgia and South Carolina were bracing for Diana.

In the Outback, Union Control of Town Weakens

By Bob Sector

Los Angeles Times Service

BROKEN HILL, Australia — Three times a year this historic mining town has a Badge Day. Any employee failing to wear a union badge is sent home and docked a day's wages for the work missed.

In Broken Hill, union membership is compulsory on most jobs, from bank clerk to mine worker. The total work force is about 7,000, and of these, 5,500 hold union cards. Only the town's professional and the top management people are exempt.

Almost every family in town sub-

scribes to the Barrier Daily Truth, the local newspaper. The unions, which own the paper, say they must.

Broken Hill, a dusty oasis 700 miles (1,100 kilometers) west of Sydney in the heart of the Australian Outback, is the reverse of a company town.

Labor, not management, calls the shots. Union leaders, not employers or government officials, have dictated who can work here and what their hours will be. Until a few years ago, union rules forbade married women to have jobs. Union orders fixed prices and controlled the distribution of impor-

tant staples such as bread, milk and, especially, beer.

Union muscle may seem heavy-handed at times, but even critics credit the local labor movement with preserving industrial peace and lending a sense of stability to this isolated community of 28,000, ringed by the ghosts of other mining towns that went boom and bust years ago.

"They've acted in the interest of their members and the town as a whole by trying to protect prices and employment," said Peter Hargreaves, general manager of the North Mine, one of the city's three mines. "It'd be a pity if the unions lost their strength."

Management sentiment was not always so cordial.

The town was founded in 1883 by Charles Rasp, an Outback cowboy who found an area rich in ore deposits. He started Broken Hill Proprietary, which has grown over the past century into Australia's largest industrial conglomerate, though it long ago abandoned a stake in its hometown.

As BHP and other mining interests tapped rich deposits of silver, zinc and lead, miners from around the country descended on the burgeoning community, leaving other towns that had built up around it to wither and die.

The mine managers, much like their American counterparts in the

turn-of-the-century age of industrial robber barons, were autocratic and stingy. They paid subsistence wages. Miners and their families lived in dirt-floor shacks made of potato sacks and tin.

Conditions in the mines were appallingly dangerous. The digging raised clouds of thick dust. Smelters spewed smoke and soot over the town.

Demanding better wages and working conditions, Broken Hill's miners carried out a series of long and violent strikes.

Finally, after a 15-month stand-off after World War I, management gave in. Not only were the mines cleaned up, but unionists won pay increases and bonuses that placed them among the highest-paid workers in Australia.

Since the 1920s, labor relations have been governed by what are known as "the agreements," contracts negotiated by the Barrier Industrial Council every three years. They cover not only the mines but also municipal employees and most other workers in town.

Gradually, the unions became the watchdog of public welfare. With the growth in union power, the 32 members of the industrial council, all officers of various unions, became a de facto government, acting as a kind of arbitration court for public complaints.

If members complained that a bar had increased the price of beer, the council would force the price down by ordering its members to boycott the offending establishment.

When out-of-town bakers started shipping in bread at prices that undercut the local product, the council refused to allow the imports. When residents complained of being bilked by door-to-door salesmen, it was the council that issued the order to boycott the salesmen.

Some of the most controversial steps have involved work rules. For years, the council refused to let married women work in Broken Hill. The thinking, union officials say, was to ensure that there would be enough jobs so that every family would have at least one wage earner.

Because the unions fought hard to get weekends off for workers, union members are forbidden to work weekend overtime shifts without "special permission."

"Everything we've gotten we guard bloody jealously," said Fred Smith, secretary of the council. "Although union strength has meant higher costs and less flexibility for management, many businessmen applauded the council's ability over the years to keep discipline in the ranks. Australian workers are notorious for calling wildcat strikes, but Broken Hill workers have had no such walkouts for most of the past half-century."

In the past few years, however, the wall of union solidarity has begun to buckle. Court orders against the job ban for married women and other union rules have cut deeply into union power.

Modern communications have ended the city's isolation and made residents less dependent on union activities for entertainment and recreation. Industrial council leaders complain of increasing difficulty in getting younger members interested in union functions.

In what was seen here as the first serious breakdown in the authority of the industrial council, individual on strike in the mines for seven weeks this year when negotiations on a new three-year contract stalled. After losing the battle, the council issued a solidarity plea, calling on members of other unions to contribute to a strike fund. The non-mine workers refused.

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(Continued from Back Page)

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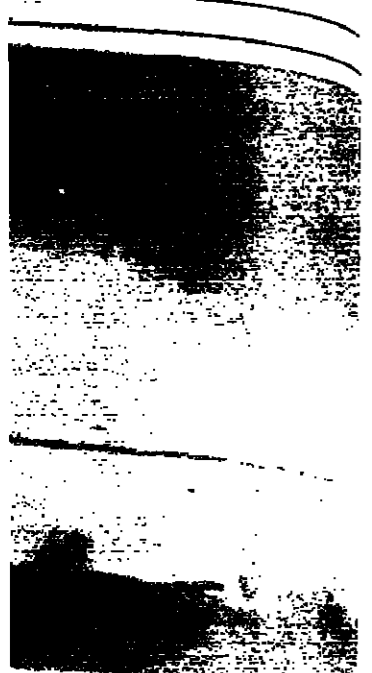
ملک و ملت

Some Teachers Vote to Call Off Strike in U.S.

NEW YORK — Teachers in two Illinois districts and a New Jersey district voted today to end their strikes.

But strikes over pay and working conditions in other districts continued in Illinois, Michigan, Pennsylvania, New Jersey, Louisiana, Rhode Island.

The major point of contention was wages, fringe benefits and the size of classes.



Island, off the coast of Savannah, Georgia, this weekend as the storm dumping heavy rains on sections of Carolina were bracing for Diana.

own Weakens

Turn-of-the-century architecture and rubber plantations are the main attractions of the island. The island is a beautiful beach resort with a variety of accommodations and facilities. The island is a beautiful beach resort with a variety of accommodations and facilities.

Disarmament Conference To Resume In Europe

STOCKHOLM — The Conference on European Security and Disarmament resumes Tuesday with delegates doubting that its third session will bring them any closer to beginning negotiations on reducing the risk of war in Europe.

The 35-state conference, with participants from all the nations of Europe except Albania, plus the United States and Canada, began in January with a mandate to negotiate confidence-building measures in Europe. So far, it has failed to move forward from formal plenary meetings.

"We're starting from scratch again," a Western delegate said.

The conference is effectively the only arms forum in which the United States and the Soviet Union are still talking to each other. Talks between the two nations on limiting medium-range nuclear missiles in Europe collapsed in December, the Geneva conference on chemical weapons was adjourned at the end of August, and talks in Vienna on mutual and balanced force reductions are deadlocked.

Stockholm's second session ended in July with Moscow rejecting a Swedish initiative suggesting that two working groups should be set up to deal with specific such as notification of military exercises and the exchange of observers.

There is still a basic disagreement between East and West about what they should be discussing. The North Atlantic Treaty Organization wants to discuss military specifics while the Warsaw Pact wants parallel talks on nonuse of force and a non-first-use policy on nuclear weapons.

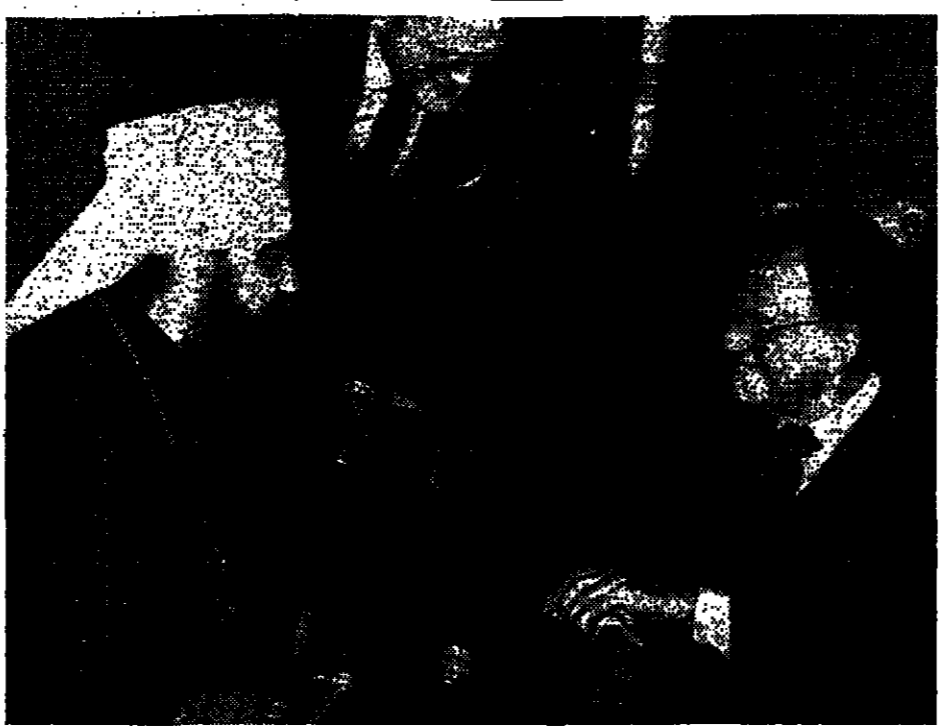
Western delegates said the international situation had become more uncertain in the two months since the last session, partly because of the cancellation of planned visits to West Germany by the East German leader, Erich Honecker, and President Todor Zhivkov of Bulgaria.

They said rumors about the health and standing of President Konstantin U. Chernenko also could be unsettling.

East German Defector Shot

HANNOVER, West Germany — A man was shot and dragged away by East German border guards at the frontier Monday while apparently trying to escape to the West, West German police said.

The West German border guards said they could not tell how badly the man was wounded.



ECUMENICAL GREETING — The Reverend Billy Graham was welcomed at the Moscow airport by Metropolitan Filaret of Minsk, the Russian Orthodox Church's specialist on foreign affairs. He was starting a preaching tour of four Soviet cities.

Genetic Matter of AIDS-Linked Virus Is Grown by Scientists in California

By Harold M. Schmeck Jr.

NEW YORK — Scientists in California say they have successfully grown in the laboratory all of the genetic material from a virus that is a probable cause of acquired immune deficiency syndrome, or AIDS.

Cloning the genes of the virus is considered an important step in the research aimed at developing a treatment for AIDS.

Once the genes have been cloned, they can be grown in large quantities. Copies of individual genes can be used to turn laboratory bacteria or yeast into living factories that can manufacture key substances from the virus. Such laboratory-grown substances might be used for improved diagnostic tests or as a vaccine against the disorder.

At present there is no vaccine against AIDS and no known effective treatment. Experts say that most patients diagnosed as having AIDS will die of the disease.

The report of the successful cloning was made Sunday by scientists of the Chiron Corp., a biotechnology company in Emeryville, California. They used a virus discovered by a research team at the University of California at San Francisco led by Dr. Jay A. Levy.

Customarily, such findings are reported first by publication in a scientific journal, but research on AIDS has been characterized by intense international competition.

Evidently as a result of this competitive atmosphere, officers of Chiron announced their accomplishment Sunday, giving a description of the process by which the cloning was achieved but without waiting for formal publication.

Since the existence of AIDS first became known in 1981 there has been a worldwide search for its cause and for ways of treating or preventing it.

Most of the approximately 6,000 known victims of the disease are homosexuals. Others considered at high risk of developing AIDS include people who take drugs by injection and such people as hemophiliacs who need frequent blood transfusions or blood products.

Experts are concerned over the possibility that the disease might spread more widely. The Centers for Disease Control in Atlanta, the federal agency responsible for surveillance of AIDS cases, reported recently that more than 76 percent of all AIDS patients diagnosed before July 1982 had died.

AIDS patients suffer a catastrophic decline in their immune systems, making them easy targets for infection. They also commonly develop cancers of a kind thought to be related to serious defects in immunity. Scientists believe AIDS is probably caused by a virus or viruses that deplete the immune system of important defensive cells of a class called T lymphocytes.

While scientists are working intensively toward the goal of developing a vaccine, many of them concede that the task may be extremely difficult because the disease presents so many mysteries and because it seems to begin with damage to the immune system, which must be engaged for any vaccine to be effective.

Viruses discovered by three research teams have been implicated recently as probable causes of AIDS.

Haitian Triplets Barred by School

MIAMI — A set of Haitian triplets will be barred from attending public kindergarten classes because the 4-year-olds show preliminary symptoms of AIDS, according to a Florida newspaper.

Dade County school officials said there was concern that the triplets, who were not identified, could infect their classmates, the Orlando Sentinel reported Sunday.

Greeks Fear New Era of Political Feuding

By Paul Anastasi

ATHENS — Personal criticism by Greece's Socialist prime minister of the new leader of the conservative opposition has caused concern over a possible return to the bitter political feuding of the mid-1960s.

The tense atmosphere 20 years ago is regarded as having helped create the conditions for the start of a seven-year military dictatorship in 1967.

In a speech Sept. 2, Prime Minister Andreas Papandreu described Constantine Mitsotakis, the new leader of the New Democracy Party, as "a nightmare" and accused him of having joined with King Constantine in 1965 to overthrow Mr. Papandreu's father, George Papandreu.

The prime minister said Mr. Mitsotakis was responsible for the 1967 coup, the military dictatorship and the Turkish invasion of northern Cyprus in 1974.

"I truly believe that the fact that New Democracy's legislators managed to choose a nightmare for their leader is proof of their degeneration," Mr. Papandreu said. He said that, because of Mr. Mitsotakis's record, he would not speak with him.

"I do not intend to hold a dialogue with someone who betrayed his leader and his party, and who is responsible for the seven-year dictatorship and the Cyprus tragedy," he said.

Mr. Papandreu's statement was widely criticized by opposition politicians and many newspapers. They feared that it could herald a return to the crisis of the 1960s and to the acrimony that has often troubled Greek politics.

Pro-government newspapers largely supported Mr. Papandreu. Some are publishing serialized accounts of the crisis of 1965-67, laying most of the blame on Mr. Mitsotakis.

Mr. Mitsotakis conceded that he has had to overcome a reputation as a political opportunist dating from 1965, when he and other legislators defected from George Papandreu's Democratic Center Union Party to form a coalition with the conservatives.

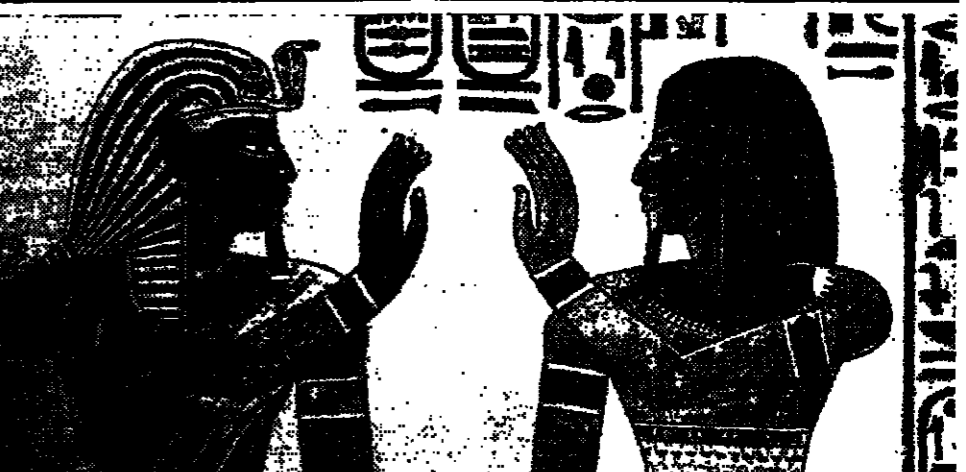
It appears that the present Papandreu government has decided to focus on the personal record of Mr. Mitsotakis as a means of campaigning for the next election.

One person determined to prevent a revival of personalized political feuding is President Constantine Karamanlis. Last Wednesday, sources reported, he asked the conservative leader to avoid a personal dispute. Mr. Karamanlis is reported to have made the same request to Mr. Papandreu.

Mr. Mitsotakis said he was content the dispute would be resolved.

"The events of the mid-1960s will be clarified through open dialogue and not through history written by myself or Mr. Papandreu," he said.

"Despite the vulgar language he used, I am sure Mr. Papandreu does not really mean he will not speak or meet with me. It will always be necessary for the prime minister and the opposition leader to discuss matters, whether he likes me or not."



ON BUSINESS IN EGYPT...

COME TO SHERATON.

2 Sandinist Aides Feared Abducted

BLUEFIELDS, Nicaragua — Two local Sandinist leaders were apparently kidnapped by rebels last week, and government officials say they fear both were killed.

The incident brought to 82 the number of people believed to have been abducted by the insurgents since the beginning of July, the officials said. They asserted that the kidnappings were intended to discourage residents from cooperating with the government.

One of the two Sandinist leaders reported kidnapped, Ray Hooker, is a former university dean educated in the United States. He was chosen as a candidate for the new National Assembly that is to be elected in November. The other victim, Patricia Delgado, is a member of the regional Sandinist governing committee.

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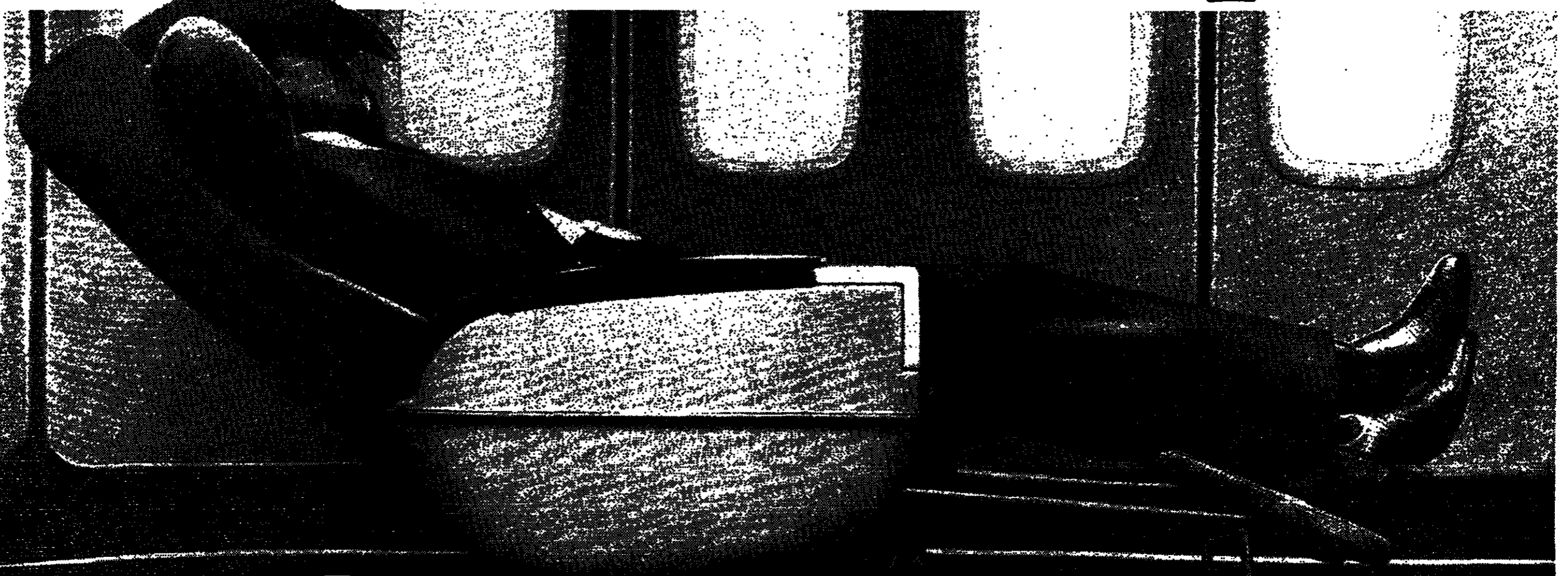


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Herald Tribune

Published With The New York Times and The Washington Post

Squandering Antibiotics

It is hard to read without wonder about the long series of unlikely events that enabled Alexander Fleming to discover penicillin. The folly, greed and neglect with which the priceless gift of antibiotics is now being squandered command almost equal awe.

Antibiotics are a uniquely potent defense against bacteria, but they possess a fatal weakness: If used to excess, their power fails. That is what is now happening because of doctors who over-prescribe antibiotics and farmers who routinely add them to animal feed.

Many disease bacteria are now resistant to six or more different antibiotics. They can be killed by others to which they have not yet acquired resistance, but the fallback antibiotics are often more toxic and more expensive than those they replace. And there is no guarantee that there will always be new antibiotics in reserve. Some biologists fear the day may come when 80 percent of infections are resistant to all known antibiotics.

About 40 percent of the antibiotics produced in the United States are used not to control disease but because of a strange side effect: They promote growth in farm animals. All poultry and most pigs and cattle receive low doses of antibiotics in their feed.

The practice ensures the widest possible spread of resistance. With daily doses of antibiotic in the animals' feed, the resistant bacteria have an overwhelming advantage over others. The genes that confer resistance are easily transferred from one bacteria to another, even to different species.

Some European countries long ago banned

medically useful antibiotics from animal feed. They feared that resistance genes were being transferred from animal bacteria to those that infect humans. In 1977 the U.S. Food and Drug Administration followed suit, proposing to reserve penicillin and tetracyclines for combating disease. Farmers could switch to alternatives for promoting animal growth.

But Congress has persistently thwarted the proposal, demanding one new study after another. Producers of feed antibiotics, a \$250-million-a-year industry, contend that hospitals, not farms, are the main grounds of resistance, and that it is mere speculation to suppose that disease bacteria that gain resistance on a farm ever in fact infect humans.

Just such a case has now been documented by the Centers for Disease Control. Investigating an outbreak of food poisoning in Minnesota, researchers traced back the chain of transmission from the patients to a consignment of hamburger, to the supermarket where it was sold, to the meat broker, to the farm where the beef was raised. There they found that the farmer had fed tetracycline to his herd.

The frequency of traffic between the animal and human pools of bacteria is hard to assess, but it could be high. Rather than risk continued debilitation of antibiotics needed for human and animal disease, why not let farmers pay a few cents more for the available alternatives? Congress has needlessly stalled the obvious remedy for seven years. Further delay could well earn it the landmark opprobrium of helping render penicillin completely useless.

— THE NEW YORK TIMES

The Same Goes for Steel

President Reagan was clearly right to deny protection to the American copper producers. To refuse to protect a domestic industry in distress is always difficult for a president, and more difficult than ever in the midst of an election campaign. But it is generally true that import quotas and tariffs do more harm than good to the economy, and the copper industry is a particularly explicit example.

The American producers argued that their markets were being invaded by subsidized copper from abroad. Subsidized or not, the imports were setting the world price. If Mr. Reagan had given the producers the protection that they wanted, the immediate result would have been higher copper prices forced on the American manufacturing industries that use copper. That in turn would have handicapped those American manufacturers in meeting their own foreign competition. As they lost sales, they then would have come to the government for protection from imports made with cheaper copper. Far more jobs would have been lost than saved.

Protecting primary metals is always particularly dangerous. If government keeps out the crude metal because it is too cheap, it will enter the country in the form of finished products. That increases the effect on unemployment.

Mr. Reagan's next major trade decision, due later this month, will be on steel. It will be

more important than the copper decision in terms of jobs, dollars and implications for U.S. industrial policy generally. But the issues will be similar. Again the domestic industry claims that its foreign rivals are subsidized. Again it seeks import quotas that would raise steel prices for American manufacturers and leave them at a disadvantage in their struggles to hold their markets against foreign competitors. A higher domestic price for steel would be welcomed by the steel makers, but it would be a real threat to automobile manufacturers.

There has been much speculation that, as a matter of political tactics, denying protection to copper gives Mr. Reagan more latitude to help steel. Mr. Reagan has always strongly advocated free markets. In view of all those speeches and statements, according to this line of reasoning, perhaps he felt that he could not protect both the copper and the steel industries — and, having to sacrifice one of them, chose the one that was less powerful and more dispensable. That suggestion seems excessively cynical, even by the standards of trade politics.

International trade is one area to which Mr. Reagan's doctrine of the free market really applies, and in which he can genuinely strengthen the economy by pursuing it. He applied the right principle in the copper decision, and the principle is the same for steel.

— THE WASHINGTON POST

Other Opinion

Israel: 'Becoming an Illusion'

The state of Israel is in danger of becoming an illusion. For all its military prowess and its ever-expanding borders, it is a country which cannot stand on its own two feet.

Economically Israel is well on the way to the status of a U.S. client state, and even politically its future now depends as much on the whims of the American electorate as on the will of the Jewish people. The economic crisis derives from a combination of enormous defense spending, swollen further by the invasion of Lebanon and the outgoing government's accelerated program of West Bank settlements, and a series of consumption subsidies which successive Likud governments have deployed to maintain their popularity. The books have been balanced by a volume of U.S. aid which has made the Israelis the most heavily subsidized people on Earth.

Now even the annual \$2.6 billion which Israel receives from the United States is inadequate. Next year Israel is likely to ask for nearly twice as much. Israel's true friends should resist such appeals. The people and politicians of Israel must bear the costs of creating a stable, self-sufficient economy capable of supporting a genuinely sovereign nation.

— The Financial Times (London)

Canada: 'Pro-American Stance'

The winning of the largest parliamentary majority in Canadian history by the Progressive Conservative Party reflects a strong desire by Canadians for a change in leadership in these times of domestic economic difficulties and international confrontation. It was a personal triumph for Brian Mulroney, who is little

known outside of Canada. He is an atypical Canadian politician because of his unabashedly pro-American stance.

— The Japan Times (Tokyo)

I have said right from the beginning that if I were chosen leader, my first obligation would be to refurbish the relationship of trust that must exist with our greatest friend, neighbor and ally, the United States of America. Period. This doesn't imply any subservience.

Sniping and snarling at the United States is fashionable in some quarters in Canada. Fortunately, those quarters don't exist in the Conservative Party, and they don't exist with me.

— Prime Minister-elect Brian Mulroney, in an interview in Newsweek.

When the pendulum swings in Canada it really swings. Apart from a shattered Liberal Party, Mr. Trudeau's legacy is a much more relaxed relationship between the Anglophone and Francophone groups. This is undoubtedly a valuable inheritance on which Mr. Mulroney, a bilingual Irish-Canadian from Quebec, is exceptionally well qualified to build.

His campaign cry of "time for a change" both struck the right note and gave him a virtually blank check. His only firm commitment is to the preservation and judicious expansion of the social welfare system; unfortunately that means more spending when Canada is already chronically living beyond its means. As the untied new leader picks up his daunting burden, another conundrum arises: whether the plummeting Liberals or the rising New Democrats will win the battle to be the real opposition. Canada may well need one sooner than present appearances suggest.

— The Guardian (London)

FROM OUR SEPT. 11 PAGES, 75 AND 50 YEARS AGO

1909: A Submarine Logs 600 Miles

PARIS — The submarine Calypso, commanded by Lieutenant Robillot, arrived [on Sept. 9] at Toulon, having completed her long distance sea test. She left Toulon [on Sept. 7], her itinerary being via the Straits of Bonifacio back to Menton, some five hundred miles. When, however, she made the Straits, Lieutenant Robillot altered his helm for Genoa, a detour which brought the trip to nearly six hundred miles. This was done without a stop and in the time of fifty-nine and a quarter hours. It is also remarkable as an exhibition of endurance on the part of the crew, for quarters on a submarine are not remarkable for comfort, even with modern improvements.

1934: Russia Can Now Join League

GENEVA — The only obstacle to Russia's admission to the League of Nations was cleared away [on Sept. 10] when the secret session of the Council of the League agreed that the Soviet Union should have a permanent Council seat after the Assembly, where approval is already assured, elects it to membership. Poland voted for Russia, while Argentina and Portugal preserved the unanimity by abstaining. Russia's entry will be counterbalanced, however, by the collapse of the "Eastern Locarno" pact of mutual assistance. The Polish vote enabled Poland to reject the "Eastern Locarno" and Warsaw also gained Russian guarantees for Polish minorities.

For a Policy of Aggressive Cooperation With Moscow

By Spark Matsunaga

The writer is a Democratic U.S. senator from Hawaii.

WASHINGTON — The case of Andrei Sakharov and Yelena Bonner dramatizes the central question of our nuclear age: How are two nations that hold the fate of the world in their hands to relate to one another when their ruling value systems stand at diametrically opposing poles?

During the past 15 years two sharply contrasting U.S. policies have emerged. The Nixon-Ford-Kissinger administration practiced what Richard Nixon aptly called "hardheaded détente." The tools of that policy were trade and other forms of cooperation combined with discreet pressure applied as part of a process of continuing negotiation.

Although it produced considerable flexibility for lateral movement, "hardheaded détente" could not last as a U.S. policy for the same reason it held so much appeal to the Kremlin: It lacked moral content. Its goal was world order in the classic European sense. It was suspicious of internal forces seeking change that threatened established ruling elites — in the Soviet Union, Chile, wherever.

Jimmy Carter remedied that defect with a vengeance. He put human rights at the center of his policy on the Soviet Union and repeatedly "punished" (a word he favored) the Soviets for morally unacceptable behavior. The tools Mr. Carter employed to administer punishment were, to a considerable extent, the various components of the web of international agencies developed by Nixon-Ford-Kissinger.

Under Ronald Reagan that moralistic emphasis reached an apex with the description of the Soviet Union as the "focus of evil."

As superpower relations deteriorate and

the arms race accelerates, the question now is: Which approach is preferable?

Each, in my view, has serious flaws. A policy in tune with American values and interests needs both moral concern and tactical flexibility, both calculation and compassion. One way to serve American values and interests would be to establish cooperative activity as an overriding national objective to be pursued with calculated sophistication and moral determination. This policy would replace the prevailing vacillation between no

In an important sense, American policy has made itself hostage to the KGB.

contacts and an uncritical pursuit of contacts that the Soviets exploit by limiting participation to party hacks. It would set strict standards for cooperation and push them hard.

A policy of aggressive cooperation would recognize that the chief enemy is not so much world communist ideology, which takes many evolving forms (China, Hungary, Yugoslavia), as it is the repressive Soviet police state, which is compulsively hostile to any evolution at all, communist or otherwise.

Instead of responding to repugnant Soviet

behavior by cutting off contacts as "punishment" (which actually makes work easier for the police state apparatus), the United States would keep up the pressure, constantly pushing for new and expanded contacts of substance in the teeth of Soviet repression. America's principal target would be the emerging scientific and technical elite, the most sophisticated and cosmopolitan segment of Soviet society, who enjoy the highest status and upon whom the totalitarian power structure depends for running the system.

In pursuing that target, we could expect much more support than now from our European and Japanese allies, who already favor increased cooperation and greater flexibility in dealing with the Soviets.

Would such a policy legitimize Soviet policies of repression toward Andrei Sakharov, Yelena Bonner and others? On the contrary, it would be the strongest and most effective rejection of those policies.

The Soviet police apparatus thrives on isolation. Why assist its efforts? Under present conditions, whenever they want to tighten the screws at home they need only create an incident. We have handed them flexibility at our expense. In an important sense, American policy has made itself hostage to the KGB.

A policy of aggressive cooperation might best be launched with a proposal to do something big with the Soviets. It must be a long-term undertaking that locks them into an

expanding program of joint activity. Soviet policy-makers must find it sufficiently appealing to stay in even though the partnership places their reactionary system of internal controls increasingly at risk.

One promising possibility is an international mission to Mars in the 21st century. It could be put forward as an alternative to competing "Star Wars" space weapons systems, which would otherwise be developed in the same time frame. Unlike star wars, it would mandate ever greater openness across an expanding front, to the benefit of democratic values and interests.

Joint activity on a grand scale would respond to the deepest aspirations of Andrei Sakharov. In the late 1960s and early 1970s he sought to nudge the Soviet Union in precisely that direction. Then the police apparatus moved in and re-established the "us" versus "them" condition upon which it thrives.

"Any action increasing the division of mankind, any preaching of the incompatibility of world ideologies and nations is madness and a crime," Mr. Sakharov wrote. With such utterances his descent from official favor began, until, alone and isolated, he could retain his integrity only by lashing back at his captors.

But we should not confuse his entrapped response with the deep universal spirit that moved him to seek the intellectual freedom that must inevitably ensue from expanded communication and joint activity on an international scale. We have it in our power to resurrect that noble spirit. All we need is the will and determination — and the leadership.

The Washington Post

South Africa: Progress, Certainly, but Equality Keeps Receding

By Jack Foisie

JOHANNESBURG — In 1976, when I arrived here to take up an assignment as the Los Angeles Times correspondent in South Africa, blacks in the ghetto city of Soweto were rioting. The uprising spread to other communities and more than 450 persons were killed, most of them by police bullets.

Eight years later, as I leave, there are new riots and more police retaliation, and more dead. Now the violence is in black townships. The focal point has been Sharpeville, where the country's black protest movement began in 1960.

Why does unrest persist among South Africa's black majority — 72 percent of the population — despite what any fair-minded observer will argue has been the steady unbending of racially discriminatory policies by the white government?

There has been substantial change. Cynics snort that it is only cosmetic, a cover-up for the abusive and humiliating treatment of blacks. But most observers hold that it is more meaningful, that it allows significant economic progress for blacks.

Black wages are catching up with those for whites doing similar work, and technical training for blacks has been greatly expanded, although still in mostly segregated schools.

True, the white government has its own interest at heart; it realizes that the country's developed industries cannot expand unless blacks are able to do more than pick-and-shovel work. Still, it is a change for the better, and one of the more reassuring by-products has been the rapid formation of black unions. Some of them already bargain effectively for better wages and working conditions.

This transformation of black workers — from second-class status in white unions, if they were accepted at all, to a point where they have their own unions with latent political power — is the near-miracle I have witnessed in this country.

For Prime Minister Pieter W. Botha, this is the most remarkable achievement of his six years in office. He and the man who was his minister of manpower, Stephanus P. Botha

(no relation), had to steer the enabling legislation through a white Parliament steeped in a keep-down-the-blacks tradition, and then shepherd the law through the implementation stage. Conservative civil servants have traditionally tended to drag their feet when it came to carrying out laws aimed at racial change.

The recent unrest may stem in part from the taste of political expression allowed by the liberal new labor laws. And it may prove to be unfortunate for the prospects of getting any further such legislation.

Right-wing whites, dead set against relaxation of the apartheid format that keeps blacks segregated except in the work place, are now crowing, "I told you so." Any freedom for the blacks, they insist, only encourages them to demand more.

Estimates of the political strength of these white die-hards vary widely. The champions of white superiority range from pastors in the Dutch Reformed Church, who cite selected Bible passages to defend apartheid, to

jackboot toughs who threaten not only blacks but white liberals as well. The main resistance probably comes from rural Afrikaners who retain their Calvinist views and see blacks as no more than cheap labor.

Poll-takers have tried to assess white resistance to racial change, and undoubtedly Prime Minister Botha has, too, but there are no accurate figures. If it came to a general black uprising, something much more organized than we have yet seen, all the whites would probably be united, and this is perhaps what keeps the stopper in the bottle of black unrest.

On the encouraging side, there appears to be a growing realization among urban whites that political accommodation with blacks is inevitable and that it is better to start easing into it sooner rather than later.

Mr. Botha may have strong qualms about what he has to do. He is an Afrikaner, and right-wing whites regard him as a traitor. But he is also a pragmatic politician, and he seems ready, as no South African leader

before him, to continue to break down the racial barriers.

He has started by gingerly trying out power-sharing with nonwhite groups that are smaller in number than the 4.5 million whites. He has added two houses to Parliament, one for the "coloreds" and one for the Indians. Both groups are still discriminated against under other facets of apartheid, but now they have a measure of political strength, although whites continue to dominate Parliament. Blacks still have no political rights at all at the national level.

Without trying to charm his audience, and often with a bit of testiness, Mr. Botha continues to spell out clearly in his public speeches that blacks will become voters only through the process of evolution. This grudging pace is probably another factor in the present unrest.

As the 26 million blacks become more educated — and often find themselves unemployed — discontent increases. In the crowded tribal homelands, to which the government consigns the majority of blacks, shortages of food, shelter and health care become increasingly desperate.

Still, revolt seems a distant thing. Only in the 1976 uprising was any nationwide organization apparent. Since then, any attempt to challenge the government has been thwarted by an efficient security police force (black men and white men alike) aided by hundreds of black informers motivated by pressures or promises.

Resistance continues to be disorganized. That applies even to the most effective of the underground groups, the African National Congress.

With the exception of Nelson Mandela, an old-time dissident who has been in prison for more than 20 years and is now only an inspirational symbol of resistance, the black protest leaders tend to disdain cooperation. Sometimes this is due to tribal differences. The other basic factor seems to be ambition.

The rural politician Gusha Buthezi, leader of the five million Zulus, is despised by urban black leaders and taunted by Oliver Tambo, head of the externally based African National Congress. They say he cooperates with the white government, even though he has expressed stinging criticism of the new power-sharing arrangement with the "coloreds" and Indians. He will not speak to Mr. Botha, nor Mr. Botha to him.

Chief Buthezi advocates a national convention of leaders of all races to discuss the start of real power-sharing. Mr. Botha has said no, indicating that he is not ready to face the certain backlash of his white followers if he moves too quickly.

To an American mindful of the racial difficulties in his own country, and the time it took to bring about legal equality, it is still very frustrating to be a reporter in South Africa.

Within a year of my arrival I was being asked: When do you see either a stable and racially peaceful South Africa, or a bloody white-black confrontation? In five to 10 years, I said then. Asked a question today, eight to 10 years later, I would again say: in five to 10 years. Such is the uncertain pace in this large, rich, fertile land.

The writer is retiring this month after more than 40 years as a reporter and foreign correspondent, the last 20 of them with the Los Angeles Times.

South Africa in a Word: Official, Brutal Racism

By Anthony Lewis

BOSTON — It is the practice of tyrannical governments to talk of democracy and peace, but every once in a while something pushes the mask aside and the world can see harsh reality. That has just happened again in South Africa.

In recent days riots have swept through the black townships among mine dumps and steel mills in the Vaal triangle south of Johannesburg. At the same time a school boycott that began last January in black ghettos outside Pretoria gathered momentum; more than 100,000 children are now staying away from classes.

Each event had its immediate causes. Residents of the townships were angry at rent increases imposed by officials during the summer. Black schoolchildren were asking, among other things, for the right to have their own student councils. But underneath those particulars was a deeper, more universal cry. Only the willfully blind could fail to see it.

Human beings everywhere want to have some control of their own lives. Black South Africans are systematically denied fulfillment of that elemental human need. They are told where they may live, confined by law to inferior schools and other facilities, excluded from any part in the country's politics. Millions have been uprooted and sent to distant "homelands" they had never seen.

In the circumstances it is hardly surprising that there should be black protests. Indeed, any moderately perceptive American who visits South Africa comes away incredulous at black restraint and patience.

Moreover, blacks have just been provoked by what they see as a piece of cynical playing by the government. That is the constitutional change that adds to the all-white Parliament two chambers elected by



"We've shown them nonviolence doesn't work. Now to convince them violence is no good."

at stake is not at all complicated. It is official racism, naked and brutal. A congressional aide who has just visited South Africa for the first time, Sheldon Himelfarb, legislative assistant to Senator Charles Mathias (Republican of Maryland), saw it plain. "I knew all about the moral dilemma of the white tribe," Mr. Himelfarb said. "I did my doctorate at Oxford, and many of my friends were South African. I had intellectualized

it. But seeing cut through the complexity. It is so simple. "I could hardly eat in South Africa, I couldn't sleep. The immorality overwhelmed me. Maybe it's because I'm Jewish, many of my family were from Eastern Europe. . . . To see race as the test. . . . I met black people of great character and intelligence, and I realized they had less control of their own fate than a house pet."

The New York Times

LETTERS TO THE EDITOR

Fit to Print or Not?

Your Aug. 17 editorial correctly pointed out that President Reagan's quip on outlawing and bombing Russia was not funny. But the joke should never have been publicized. The private remark harmed no one; making a full-blown public issue of it was irresponsible. There was a time when "news" isn't fit to print.

HILLIARD STATION, Amsterdam.

Mr. Reagan is certainly not my favorite world leader, but those of us who regularly deal with Americans are always a little jealous of their ability to inject jokes into almost any kind of subject. I would feel a little better about our world if we were told about a joke, good or bad, told on or off the record by a Soviet leader.

ANTON ECKERT, Dellbruck, West Germany.

The joke was a self-parody on Mr.

Reagan — before a publisher got hold of it. Now the joke is on us.

WAYNE R. WAGGONER, Brussels.

Regarding the opinion column "A Warning: Reagan Is Over the Hill" (Aug. 20) by John B. Oakes:

As an American citizen I have often disagreed with a president of the United States; this is the first time I have ever been ashamed or afraid of one. If Mr. Reagan does not have the sense to address a plugged-in microphone with a plugged-in brain, it is indeed time for him to go off and dither in solitude. I agree with Mr. Oakes that Mr. Reagan should resign from his candidacy.

KARIN BROWN, Vienna.

Regarding "Does the Press Do Well to Air Off-the-Air Jokes?" (Aug. 24) by William F. Buckley Jr.:

Mr. Buckley charges that "we" tend to forget "old Khrushchev" threatening nuclear war in Europe

every couple of weeks. Mr. Buckley should stick to the first person singular. For it is precisely because we do remember the results of Mr. Khrushchev's bellicose political bluffs that we can neither forgive nor forget Mr. Reagan's belligerent prattle.

DWAYNE VIERGUTZ, Heidelberg, West Germany.

Mr. Buckley feels that Mr. Reagan should be protected from exposure of such fugitive thoughts. An electorate trying to evaluate the recently nominated Republican candidate needs to know as fully as possible his attitudes toward U.S.-Soviet relations.

MICHAEL G. CATANO, Luxembourg.

Jamaica to Sierra Leone

In response to "Sierra Leone's Settlers" (Letters, July 11) and the report "Sierra Leone: A Case of Apathy More than Anger" (June 30):

Some 1,100 Creoles arrived in Freetown from Nova Scotia. These were not ex-slaves from the United

States but former "Maroons" from Jamaica. "Maroons" were British ex-slaves who had gone to the hills and participated in the Maroon wars in Jamaica for many years. Originally they were principally Ashantis of the Gold Coast of Africa speaking the Twi language. While in the hills they intermarried with Arwakan Indians.

The Maroons had a 1738 treaty with England, copies of which are still to be found in Jamaica. Violation of the treaty accounts for a continuing of Maroons being sent to Nova Scotia. Those not involved in treaty violations stayed in Jamaica, where several settlements still exist and the

treaty of 1738 is still honored by the Jamaican government. The Maroons of Jamaica were some of the first people in the Western Hemisphere to gain their independence.

MARION D. MILLER, Vila Franca de Xira, Portugal.

Pro-Life, but Selectively

Could somebody please explain to me why "right to life" anti-abortion groups are not clamoring for abolition of the death penalty? Or, alternatively, for the execution of doctors who perform abortions?

STEPHEN AYRTON, Lausanne.

Nor Is It 'Yasser Ararat'

We do realize that Yasser Arafat and his followers attract a lot of interest in the press, but to rename an ancient mountain in his honor — "Mount Arafat" (People, Aug. 30) — is, we think, to be overgenerous.

G. BLOOM, H. STELLMAN, London.

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ARTS / LEISURE

Summer's Over, and the Fashion Wagon Is Back on the Rails



Kenzo in New York with a sample of his new "Album" line.

By Hebe Dorsey
International Herald Tribune

PARIS — August is traditionally in the fashion doldrums, but September is fast catching up. It started early this month with the SEHM (Salon Européen de l'Habillement Masculin) at the Porte de Versailles.

The most interesting thing about the menswear market is the increasing numbers of men designers who made their names in women's ready-to-wear. Claude Montana, for one, showed his first men's collection, joining ranks with Kenzo, Jean-Paul Gaultier and Thierry Mugler.

Montana himself is the ultimate in non-dressing — gray T-shirt topped by pink shirt, topped by blue blouse, topped by orange-lined navy blouse and jeans. His only sartorial extravagance consists of snakeskin Mexican boots, elegant and elaborate almost to the degree of showiness — "and they cost me a fortune."

According to Montana, the men's market is where it's all at these days, and offers a lot of room to expand into, while the women's market is pretty saturated.

"My menswear collection has nothing to do with my women's line," Montana said. "I don't go as far. I've tried to design clothes I would like to wear myself — if I dressed up. But although I don't, I have lots of friends who do and I have a fair idea of what they want."

don't want their wives to do their fashion shopping for them any more." All this means that the fashion world may turn to peacocks and the market will move accordingly.

Kenzo, who was showing his third men's collection, moved on his usual, colorful and whimsical path with a classicism that may coincide with commercialism. As for Gaultier, the fun-man of Paris fashions, he had the most avant-garde collection in terms of presentation, which, as always with Gaultier, camouflaged some highly wearable clothes.

The month goes on with all kinds of fashion events. Last Saturday, Issey Miyake opened a new boutique at 17 Boulevard Raspail, not far from his prestige, de luxe boutique on Boulevard Saint-Germain. The new boutique will, for the first time, carry his cheaper, so-called Plantation line, which is simpler in design but still unmistakably Miyake's. Michel Klein, a promising Paris talent, also just opened a boutique at 39 Rue de Grenelle.

Karl Lagerfeld this week is opening his first boutique under his own name, in London, at 173 New Bond Street, with a Paris one scheduled for early next year.

On Monday, Nina Ricci hired a boat on the Seine to launch "Philes," its new perfume, and on Wednesday, Hermès is having a showing of its fall-winter collection with cocktails afterwards. Hermès's upper floors have been redesigned into attractive, garden-like terraces, a sign that the store, which

started as a saddlery, is branching out into all kinds of new areas, including house and garden. The latter has been turned over to Nicole de Vésian, an elegant woman who used to have her own styling agency. Among her chic ideas are all kinds of essentials for yachting as well as elegant gardening outfits, including gloves and brown canvas and leather garden aprons.

On Sept. 19, Hélène Rochas, who has recently been lured back into the company as its glamorous image-maker, is feigning the coming out of a new perfume, "Lumière," with the premiere of Wim Wenders' film "Paris Texas," followed by dinner for 130 at the Jules Verne restaurant on the Tour Eiffel.

On Sept. 25, Dior is showing its new fur collection, designed by Frédéric Castet. Meanwhile, Pierre Cardin, who will show his first China-produced collection soon, is also working on his newly revamped restaurant at the Espace Cardin, which he hopes will become a favorite with the fashion and advertising crowds. With tables in the garden, which has been dolled up with white tents and trellised arbors, a simple, mildly priced menu and service until 2 A.M., Cardin feels this will be an alternative to the extravagance of Maxim's, which he already owns.

Meanwhile, every other designer seems to be going to New York. The most notable August events were the launching of Kenzo's cheaper line, "Album de Kenzo," for \$50 Limited Stores, and the

opening of a new Issey Miyake boutique at Bergdorf Goodman.

Under its new president, Dawn Mello, Bergdorf seems eager to capture all the fashion talent around. On Tuesday, she is celebrating the launching of a new Claude Montana boutique on the so-called "courage floor," next to Yves Saint Laurent and Chanel — an honor that Montana, who flew over for the occasion, was anticipating with some anxiety.

"There's something a bit scary when people seem to accept you all of a sudden," said this new prince of the fashion establishment, who is now at the head of a \$40-million empire (not counting figures for Japan).

Montana was still looking forward to meeting the American fashion press at a luncheon which was held in the newly opened Petrossian caviar restaurant. The latter, on Seventh Avenue and 57th Street, has been lavishly decorated with Art Deco and engraved mirrors à la Erté and banquettes that are half blue leather and half pink. Jean-Paul Gaultier will also have a first showing of his collection in the United States, again courtesy of Bergdorf.

Like hordes of European designers who feel that they must have a window in New York, Montana is also opening a boutique, but not on Madison Avenue, which he finds entirely too crowded. He is going to open on Park Avenue and 57th Street, a location put on the fashion map by Martha's.

Lured by the American dream, Elle magazine has just put on the stands an "Elle International" on a four-times a year basis. The first issue featured "Proustomania" and lively, kooky fashion styles. Jean-Louis Scherrer showed his collection on Friday in Barcelona



Claude Montana at home.

for the Spanish anti-cancer society in front of 1,200 people. Finally, Yves Saint Laurent is showing his collection at the Villa Medici in Rome, on Sept. 26, a prestige operation patronized by Jack Lang, France's minister of culture.

Keeps Receding

before him, to continue to down the road. He has started to get out power, but the groups that are behind him are still there. He has started to get out power, but the groups that are behind him are still there. He has started to get out power, but the groups that are behind him are still there.

A Young Saxophone Player, and What It's Like in the Crest of a Wave

By Michael Zwerin
International Herald Tribune

PARIS — The first recording of John McLaughlin's newly reassembled Mahavishnu Orchestra, to be released this month by WEA, credits "a revolutionary instrument: the Synclavier II Digital Guitar." It also has another new ingredient — a young saxophone player who may not be known as "the other Bill Evans" much longer.

It was the name of a late great pianist who was often confused with the pianist and composer Gil Evans. It is a common name to begin with, and, more confusing yet, all have been closely associated with Miles Davis.

Despite a common name requiring qualification, Bill Evans the saxophonist has had extraordinary luck. Their mutual friend Dave Liebman recommended Evans to Davis in 1980, only one month after he had graduated from William Patterson College in New Jersey. "Better stay near your phone," Liebman advised. Evans had been offered a \$1,000 a week job on a cruise boat. It hurt, but he turned it down.

Several days later, after the boat had sailed, the telephone rang. "Is it true that you play better than John Coltrane, Sonny Rollins and Charlie Parker?" Davis asked. Feeling like a Zen disciple, Evans answered: "I only know how to play my best." Davis laughed and invited him for dinner. Going in and out of the hospital with a serious leg infection, he was beginning to think about coming out of retirement one more time.

"It just worked right away," Evans recommended the guitarist Mike Stern, who Davis also hired. "We started hanging out. One day Miles bought a new Ferrari. The salesman told him to take it easy breaking it in. Miles shrugged him off and put it down to the floor. We hit 80 miles per hour [130 kilometers per hour] up the ramp to the East Side Drive. He was checking out the cassette machine when I saw traffic blocked up ahead. I shouted: 'Miles, break!' Later we ran out of gas on Houston Street and The Bowery. Miles kept fluffing off the bums who wanted money for wiping the windows. I said: 'We're going to need those guys, Miles.' Finally he gave them a couple of bucks and they went to get gas."

It is tempting to recount more of his Miles Davis anecdotes, but the point is to ask why this reclusive, somewhat wizened black superstar would spend so much time with a 23-year-old clean-cut suburban college-educated white boy from Clarendon Hills, Illinois. "I used to ask myself, 'Why me?'" When Evans told Herbie Hancock, an earlier Davis "discovery," that Miles mystified him, Hancock replied: "Join the club."

Perhaps opposites attract, perhaps Davis wanted to be nourished by youth, informed about young tastes, maybe he needed an acolyte, though Evans says: "I never thought much about Miles in college. For me he was a guy who played rock and had retired in 1975."

Once the relationship was established, boxing cemented it. Evans had been working out with weights every day for years, and Davis is a

committed fight fan: "We'd go down to Gleason's Gym and mess around. I became friends with boxers who had been popular, like Roberto Duran and Tony Anthony; Tony plays some trumpet. Miles knows all those guys. So I started hitting the bag once a week. I bought all the gear and began to spar at Gleason's every day, just as hard as any pro. When I got into something I go all the way. I've even got a trainer, Duke Taylor. After I leave there at 2:30 P.M. I go home and practice." (He also plays flute.) "One day I had a black eye and a sore wrist and I met this musician who was doing lots of

coke. I said to him: 'I wonder whose drug is worse, yours or mine.'"

Evans is representative of the new breed of technocratic, dependable jazz musicians. Although you can long for less perfection and more personality, he plays honest music that also happens to sell. Perhaps this combination is what attracted Davis. He became a central figure in the trumpeter's current group until joining McLaughlin's fabled Mahavishnu Orchestra earlier this year. His first album as a leader, "Living in the Crest of a Wave," was issued in the spring by Elektra/Musician, which hired a

publicist to promote it, rare corporate support of a jazz record.

Describing McLaughlin, the recurring adjectives "confident," "decisive" and "positive" reflect his own perspective: "I'd rather play three notes that remind somebody of a lake in Montana than play a bunch and have somebody say, 'He's burning!'" McLaughlin (who lives in Monaco and records in Paris) is one of the rare musicians who has learned how to use electricity instead of being used by

it. He says Evans is "the new guy to watch in town. He has amazing maturity for his age."

The young man picks his spots: "I feel uncomfortable in situations where some guys just get together to cut a record hoping to make a lot of money. You know, 'Let's get Jack DeJohnette, Eddie Gomez and Miles Davis's saxophone player. We'll put together a couple of tunes and see what happens.' I don't want to be part of that sort of situation. A lot of young musicians

will play anything anywhere with anybody. I like to work clubs from time to time, or I'll rent a studio with some friends and we'll jam all day, but when it comes to a serious commitment I want to play music that has organic personality."

"There's not all that much happening at this point. Good group vibes like the Mahavishnu are super-rare. I think we're ready for a whole lot of new bands to start taking off, like — now. I hope one of them will be mine."



Bill Evans: "Music that has organic personality."

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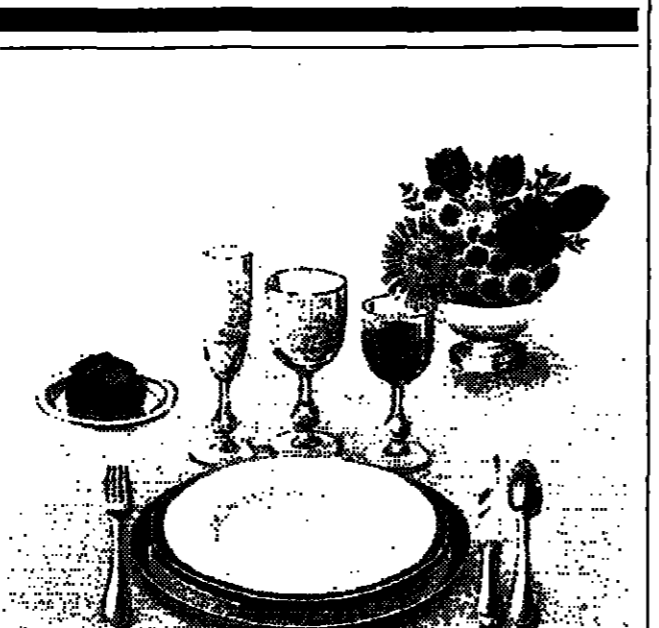
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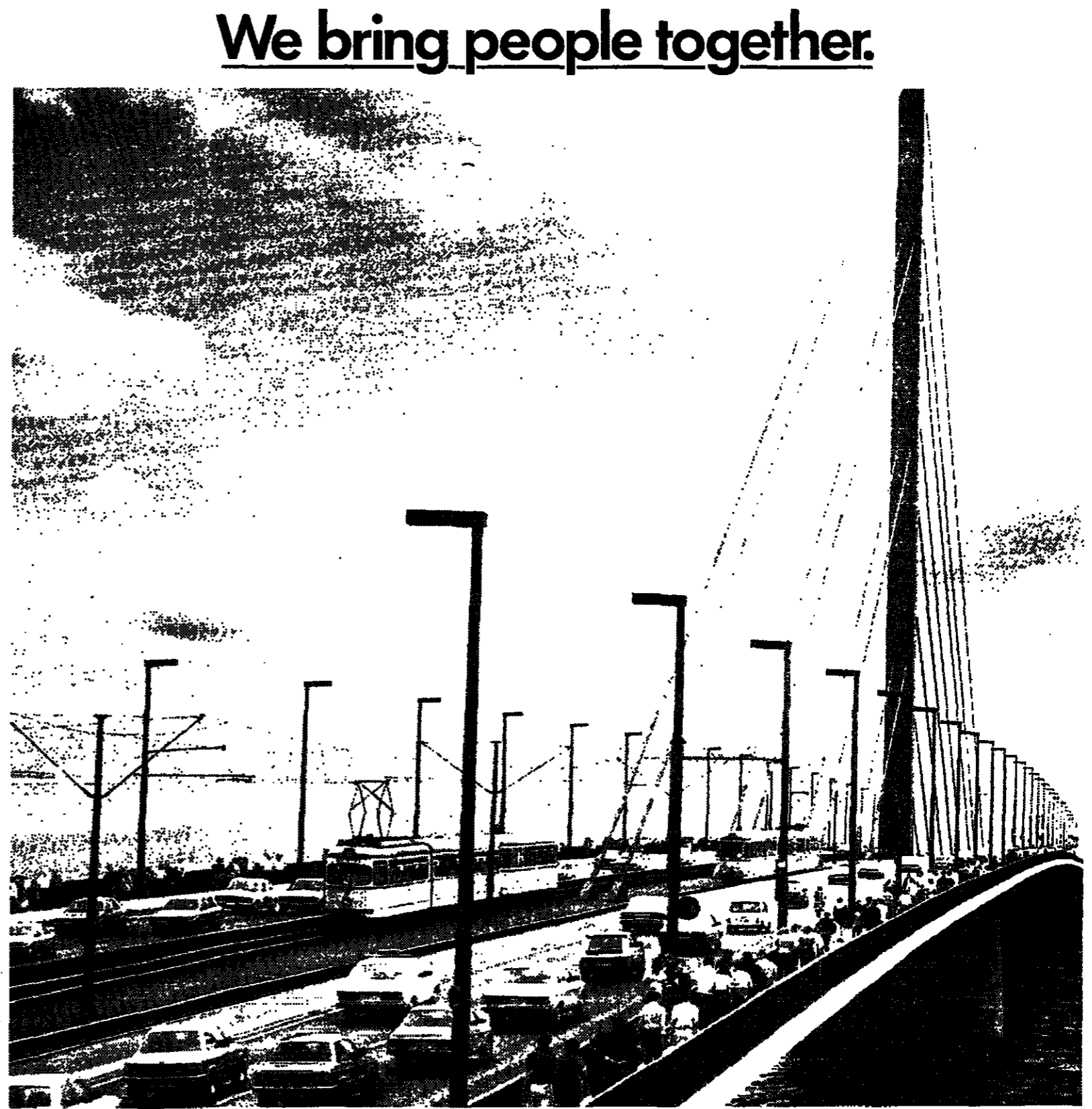


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	Vol.	High	Low	Last	Change
Astrofile	3269	3%	3%	3%	+ 1/8
Windsor	2654	2%	2%	2%	+ 1/8
Nobro	2450	49%	47%	48	+ 1/8
GNC's	1190	14	14	14	0
WEL	1013	13%	13%	13	+ 1/8
REDM	991	22%	21%	21	+ 1/8
NIFM	963	22%	22%	22 1/2	+ 1/8
WEL	959	19%	19%	19	+ 1/8
Forest	797	12%	12 1/2	12 1/2	0
TIE	753	12%	11 1/2	11 1/2	- 1/8
Master	652	3%	3%	3	0
BAT	596	3%	3 1/4	3 1/4	0

High	Previous Low	Close	Today's P/E
714.35	712.42	712.71	21.54

Among the other high-technology issues, Teledyne was sharply higher at the outset. Advanced Micro Devices, Honeywell, Burroughs and Control Data (ex-dividend) were lower at midday.

[illegible]

**A RARE FIND;
WORTHY OF INVESTMENT; IN DEMAND**

[illegible]

COMMODITIES

A SPECIAL FINANCIAL REPORT

TUESDAY, SEPTEMBER 11, 1984

Page 9

Financial Futures
Take First Step
In World Trading

By Nancy L. Ross

WASHINGTON — The inauguration last week of futures trading in Eurodollars and Deutsche marks on the Chicago Mercantile Exchange and the Singapore International Monetary Exchange marks a milestone in the internationalization of financial futures, another step in the development of worldwide, round-the-clock markets.

The financial community and U.S. regulators plan to monitor CME/Simex operations closely to see if sufficient liquidity develops and if manipulation and other abuses occur. "Just wait until the first bankruptcy," warned a futures industry executive, referring to possible dangers in an arrangement where neither country has jurisdiction over trading in the other.

Another potential impediment is disclosure. The Commodity Futures Trading Commission, for example, requires the identity of large traders but British law forbids it.

International difficulties notwithstanding, the Chicago Merc, which forged the bond with Singapore, is also negotiating with the London International Financial Futures Exchange. Another such linkage is contemplated between the Commodity Exchange of New York and the Sydney Futures Exchange.

The Chicago Board of Options Exchange is exploring a trading relationship with the European Options Exchange in Amsterdam as well as exchanges in London and Zurich. The Chicago Board of Trade is negotiating with the London Stock Exchange for permission to trade the Financial Times Stock Exchange 100 index.

There are more than 90 international commodity markets worldwide, with more being established every day in places such as Bermuda and Rio de Janeiro, according to Futures World, an international trade publication. Most of the new ones concentrate exclusively on financial futures, which do not require physical delivery. The bulk of the world's trading occurs on the dozen futures and live options exchanges in the United States, although 30 to 40 percent of all activity in the futures markets comes from abroad, the magazine said.

tures remained minuscule until the late 1970s when interest rate volatility spurred activity. Now, as the result of continued high interest rates, currency and stock market fluctuations as well as the ease of telecommunications, individual and institutional investors have made futures and options one of the fastest growing segments of the investment markets.

For the first time customers can buy and sell contracts interchangeably on the exchanges in both countries, because of computerized clearing known as a mutual offset system. The necessity for taking duplicate positions is eliminated along with duplicate commissions and margins. Moreover, operations in different time zones double the available trading time for customers seeking to benefit from events occurring after exchange hours. They can trade by day on U.S. floors and by night on a foreign exchange half a world away as orders are electronically routed to market makers there.

Financial futures were created to protect traders against shifts in market prices. Yet, they also serve speculators by offering considerable opportunity for profit — as well as considerable risk. The market is composed of two basic types of instruments: futures and options. A futures contract obligates the buyer to buy or sell a commodity at a specified price at a fixed date. An options contract gives the investor the right to buy or sell the commodity at a given price on a given day. The hybrid allows the customer to buy or sell a futures contract.

Following more than a century of trading in agricultural commodity futures, the first financial future, a currency contract, was traded in 1972 in the United States. Interest rate futures followed in 1975. The volume of financial fu-



Trading gasoline at the New York Mercantile Exchange.

COMPARISON OF PERFORMANCE OF 20 TOP-PERFORMING MUTUAL FUNDS
WITH 20 TOP-PERFORMING FUTURES FUNDS, JUNE 1983 - JUNE 1984

NAME OF EQUITIES FUND	% GAIN 12 MONTH	NAME OF PUBLIC FUTURES FUND	% GAIN 12 MONTH
Mutual Qualified Income	16.9	Harvest Futures Fund I	87.3
Mutual Shares	15.0	Harvest Futures Fund II	87.3
Selected American Shares	10.4	Peavay Futures Fund I	63.3
G.T. Pacific	7.2	Peavay Futures Fund II	61.4
Merrill Lynch Pacific	6.9	Aries Commodity Fund	41.2
Fidelity Select-Utilities	6.5	Clark Street Futures Fund	27.2
Strong Investment	5.6	Chancellor Futures Fund	26.4
T. Rowe Price International	5.3	Commonwealth Fin'l Fut Fnd	25.8
Scudder International	5.3	Thomson Commodity Partners	25.7
Vanguard Qual. Div. Port I	5.2	Mint, Ltd.	24.3
Evergreen Total Return	4.7	Thomson M&C Fin'l Fut Fnd	20.1
Legg Mason Value Trust	4.6	Recovery Fund I	18.5
Founders Income	3.9	Hutton Commodity Ptns II	17.4
Strong Total Return	3.6	Illinois Commodity Fund	14.9
LBK Capital Opportunity	2.8	Thomson Fin'l Fut Fnd I	14.1
Vanguard Windsor	2.8	Gentle Commodity Fund	13.6
Safeco Income	2.8	Sycamore Futures Fund	12.5
Fidelity Puritan	2.6	Princeton Futures Fund I	12.1
Vanguard Wellesley Income	2.2	Princeton Futures Fund II	10.9
Nichols Income	2.2	Tactical Commodity Fund I	9.9



Decline in Commodity Prices Linked to High Interest Rates

By Randall E. Moore

WASHINGTON — The precipitous decline in commodity prices has been the economic enigma of the year, according to many economists.

Although economic growth in Western industrialized countries probably peaked this summer, prices of raw materials tumbled, contrary to their usual behavior. Normally, falling prices benefit consumers as the declines are translated into lower inflation. But broad-based price declines — what economists call deflation — can also signal a sharp economic contraction.

Opinion in the economic community is sharply divided on the causes, consequences and longevity of this summer's price weakness. The actual declines are not in dispute.

Since peaking in mid-May, the

Commodity Research Bureau Inc.'s broad index of spot commodity prices has fallen 23 percent. The Dow Jones Index of Commodity Futures has fallen from 153.11 to 129.45 since last August. And, sensitive-materials prices in the U.S. Commerce Department's Index of Leading Economic Indicators dropped for the 16th consecutive month in August.

Declines in individual commodities have been even more dramatic. Among industrial materials, lumber has been particularly hard hit, tumbling by half its value since the beginning of summer. Prices of industrial metals, such as copper, aluminum and tin also have plummeted. According to some estimates, copper prices, adjusted for inflation, are at their lowest levels in more than a century.

Prices of world agricultural commodities — wheat, corn, oats, cocoa, coffee, sugar, cotton and, to a

lesser extent, meats have also taken a beating.

Perhaps the most widely noted price declines were those of precious metals. In fact, gold seems to have led the overall nosedive in commodity prices. On July 9, the metal hit a two-year low of \$332 an ounce, completing a tumble of more than \$40 in just three days. In tandem, or soon thereafter, other commodity prices joined in the sell-off.

Economists were caught off guard by the declines, according to Charles Lee, an economist with Northern Trust Co. "Prices had been soft, but the declines in July surprised more people than they would likely admit," Mr. Lee said.

At this stage in past business cycles, inflationary pressures are normally building as months of expansion force rationing of commodities by increased prices. The events of this summer, however,

have sent economists scrambling to lower their inflation forecasts for this year, next year and, in some cases, the rest of the decade.

In hindsight, most attribute the drop in commodity prices to four primary factors.

First and foremost are high interest rates. Since the inflationary excesses of the 1970s, central bankers have in large part pursued stringent monetary policies. Led by the U.S. Federal Reserve, world monetary authorities reduced money-

supply growth and available credit in an effort to break the back of inflationary expectations. So stringent, in fact, were these policies that the U.S. economy was plunged into its sharpest recession since the 1930s during 1981-1982. Nonetheless, financial markets, burned too often in the past by higher inflation after each economic downturn, refused to allow interest rates to fall even as inflation through much of

the industrialized world began to fall.

As a result of market fears, real interest rates, or the difference between nominal rates and the rate of inflation, soared to historically high levels.

"The markets are charging an inflationary premium," said Donald Ratajczak, director of the state of Georgia's economic forecasting unit. "If the markets believed that inflation would not surge again, current interest levels would fall."

High real rates of interest make it unprofitable to hold commodities unless prices are rising. This applies to both speculators and businessmen. Many analysts contend that the subdued rate of inventory accumulation during this economic expansion is directly related to the high real rates of interest.

In the United States, a strong

resulted in an extremely strong dollar — another primary reason for the plunge in commodity prices.

Although the dollar gradually rose against the currencies of its major trading partners since 1981, the combination of slowing inflation and rising interest rates in the United States this spring sent the dollar to record levels against the British pound, French franc and Italian lira and to a decade-old high against the Deutsche mark. Most world commodities are priced in dollars. Consequently, nations like France found themselves paying more for oil at a time when the price in dollars was falling.

(Continued on Page 10)

Randall E. Moore is senior money market economist at Evans Economic Inc. in Washington.

High interest rates, especially

Ebb and Flow of the World Oil Market

By H.J. Maidenbergh

NEW YORK — The price of oil was once determined by the "Seven Sisters," the big global producers, refiners and marketers that controlled most of the non-Communist world's output, refining and marketing of crude oil and products.

No more. First off, they no longer control their foreign oil sources, and most recently the once powerful cartel of the Organization of Petroleum Exporting Countries has fallen into disarray, with hard-pressed members luring customers with cut-rate oil.

Given the fact that today no one knows how much oil is flowing onto the world market from OPEC and the Soviet Union, a major exporter, many oil experts believe prices are free, in that they truly reflect supply and demand, for the first time in the industry's century-old history.

But supply-demand aside, three key factors determine the day-to-day oil prices. One is the ebb and flow of crude through Rotterdam's huge oil storage terminals. When summer began, it was the overflow-

ing oil tanks in Rotterdam, the biggest cash, or noncontract, petroleum market that brought prices crashing in July by \$2 a barrel, to \$26.

Indeed, these overflowing tanks in Rotterdam forced the Soviet Union to cut its crude prices and did more than any other thing to reduce "cheating" on agreed export prices by some OPEC members.

The second most important oil-pricing factor today is the economics of the "crack," or mix of products, that a 42-gallon barrel of crude oil yields when it is literally boiled at the refinery.

Typically, a barrel of crude is cracked as follows: gasoline, 44 percent; home heating, diesel and other distillate oils, 21 percent; heavy residual industrial fuels, 10 percent; and the rest yields such products as jet fuels, kerosene, petrochemical feedstocks, liquid gases, lubricants, among other items. The crack that is left at the bottom of the cracking pot is the asphalt used for road paving and roofing materials.

For the crack to be profitable, the main products, heating oils and gasoline, should follow seasonal

patterns because refiners and distributors of oil products have fixed storage capacity. This has not been the case in recent years because of an uncommonly mild winter of 1982-1983 and the record cold one of 1983-84.

Further, Americans have been using less gasoline because they do not drive as much as they used to and their newer autos are more fuel efficient.

Meanwhile, the overflowing tanks at European refineries and the strong dollar have produced increased exports of their crack products to the United States, and Beijing's expanding oil refining industry, which does not have much of a domestic market for gasoline produced by its cracking operations, sold a lot of its excess gasoline to California's drivers last summer.

The resultant disarray in the oil marketing system has given rise to a new and powerful pricing mechanism: the futures markets in crude and home heating oils and gasoline on the New York Mercantile Exchange and the International Petroleum Exchange in London.

On an average day, the New York Merc alone trades energy futures that represent some 8.5 million barrels of crude, which by coincidence is what the nation's oil producers pump each 24 hours.

The daily volume of heating oil futures equals the 4 million barrels of crude imported each day on average.

"Because the continuous auction process of the futures market reveals the real or perceived values of crude oil and its major products at any given moment, the New York Merc is rapidly becoming the pricing mechanism," said Steven Errera, president of Energy Futures Inc. and an authority on such markets.

When the Merc opened its first energy futures market, heating oil, in late 1978, the oil industry shunned it as a speculative side-show. But as the confusion over price trends began to spread with OPEC's weakening hold on prices two years ago, the industry began turning to the Merc for price guidance, particularly in heating oil.

"Because of the seasonal factors,

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In 1933 Marechal drew a projection of what the stock market would do for the next fifteen years. (See below) George Marechal lived to be almost ninety years old but when he died, his secret died with him. One man working alone in Chicago in the summer of 1983 rediscovered what I believe was Marechal's secret.

THIS SECRET HAS JUST BEEN REDISCOVERED...

It is now available to members of the DELTA SOCIETY INTERNATIONAL (DSI). Applications for membership are currently being accepted.



Welles Wilder is known world-wide for his innovative and original contributions to technical trading. His revolutionary book, *New Concepts in Technical Trading Systems* is legendary in technical trading circles. *FORBES* MAGAZINE (Oct. '80) singled Mr. Wilder out as "The premier technical trader publishing his work today."

Wilder's "Relative Strength Index" (RSI) is plotted by most chart services for each commodity. His "Directional Movement" system and "Parabolic TimePrice" system have become bywords to technical traders world-wide. Most computer trading systems in use today utilize some of Wilder's originally published concepts. Mr. Wilder has presented his methods and systems at technical trading seminars in Asia, Australia, Canada, the U.S. and the capitals of Europe.

IT'S HARD TO BELIEVE, BUT TRUE

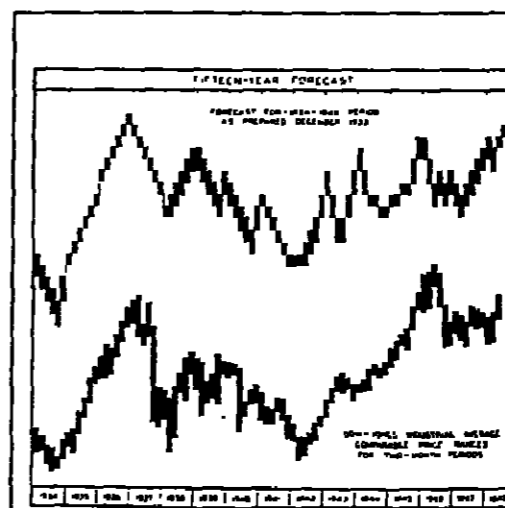
Pick a year... then pick a commodity... for example T-BILLS 1988. I can chart every intermediate turning point and every major turning point that T-BILLS will make in 1988. Or better yet, pick a date... any date... say March 22, 1992. I can punch that date into my Apple or IBM computer and immediately obtain a hard-copy print-out of the previous intermediate turning point and the next intermediate turning point... for every commodity... or for any portfolio I choose.

Replacing that disk with the long term disk, again, I can punch in any date and obtain a hard-copy print-out of the previous long term turning point, and the next long term turning points for all commodities or any predetermined portfolio of commodities.

THE MOST SIGNIFICANT DISCOVERY

There have probably been a thousand books written about forecasting what markets will do in the future. They all pale into insignificance when compared to the discovery of the cause of market movement. Supply and demand determine the extent of market movement... that is, how far up or down the swings will go. However, the timing of these swings... the turning points... both long term and intermediate term are caused by something that, once it is understood, makes all future market swings predictable with a very high degree of accuracy.

For example, the average accuracy (based on over 200 years of daily observation) for all 25 commodities for the following intermediate term turning points is as follows:



The top line of price fluctuations is an actual reproduction of a copyrighted fifteen year market forecast as calculated and drawn in 1933 by George Marechal.

The bottom line of price fluctuations is the actual Dow-Jones Industrial average from 1934 to 1948 — the same fifteen years as projected by Marechal.

- [1] 51% of the time the projected turning point will occur within 2 days of the date projected.
- [2] 68% of the time the projected turning point will occur within 3 days of the date projected.
- [3] 81% of the time the projected turning point will occur within 4 days of the date projected.

The long term accuracy is comparable. I believe that the only other person who ever discovered this phenomenon was George Marechal. It would explain how he could have determined the market turning points used in his famous chart shown above.

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A Gambling Arena, but Don't Count on Luck

By Roger Collis

ANTIBES, France — If you are tempted to speculate in commodity futures, think again. You are likely to have as much luck — and much more fun — trying to break the bank at Monte Carlo. Unless you really know what you are doing, you can lose your shirt playing chemin de fer, but in commodities trading you can risk losing the shirt you do not even have.

According to Paul Straatsma, manager of New York stockbrokers Thomson & McKinnon's Monaco office, 95 percent of the people who speculate in commodities lose money. Even successful traders may make most of their profits on 5 percent of their trades.

There are two broad classes of people dealing in commodities: speculators and hedgers. Hedgers are producers and consumers of commodities, banks and institutions, who want to protect a given price or position in a commodity. Hedging represents 50 to 60 percent of the total market. It is the speculators who take the major risk and provide the liquidity for the hedgers to operate.

Most traders never receive or deliver the commodities, instead speculating on the rising and falling values of contracts for future delivery. For every trade there is a buyer and a seller. A buyer is somebody who thinks the market will go up; a seller is somebody who thinks the market will go down. For every

trade somebody gains and somebody loses. It is a zero sum game.

Speculators normally trade on margin. What this means is that they pay a deposit to their broker of 5 to 10 percent of the initial value of the contract. When the market moves it multiplies their profit or loss 10 or 20 times.

Imagine that you are trading a contract of gold at \$44,000 with a margin of only \$2,500. If the price of gold moves \$25 you have either doubled your money or lost it. In the latter case you will get a margin call from your broker to cover your lost deposit. Normally you can limit your loss to the amount of your margin by putting in a stop. A stop is an order to your broker to get you out when the market hits your price or bounces through your price.

Punters will tell you to take your losses out quickly and let your profits ride. Advice that is sometimes hard to follow.

André Ollbrich, a vice president and commodities specialist at Thomson & McKinnon, says: "If gold drops \$100 overnight in Hong Kong as a result of some political news, and you are in New York with your contract of gold, the market in New York the next day is going to open \$100 down. If your stop is in the middle there is nothing you can do. You are stuck. A good broker can usually get you

out. But you could be locked in a position and wiped out."

"It's the most anti-human character kind of game you can imagine," says Paul-André Jacot, manager of Conti Commodity Services in Geneva. "First, because in commodity trading the big money is made on the downside, selling short, which means selling something you don't have in the hope that you can buy it back at a cheaper price. Second, the only way you will probably make money is to accept the fact that you are wrong. Most people say, I am right, the market is wrong."

Speculators can be categorized according to six basic types of trading style. They are: • The gambler — a seat-of-the-pants operator with more money than sense. He has no strategy. He picks up bits and pieces of information and buys and sells without knowing what he is doing. For example, he has a friend who has just bought 50 contracts of gold. He wants to be one up on his friend so he buys 100 contracts. If gold happens to go up he does not know at what point to get out. After the gambler will lose money consistently. After a while he will either be broke and quit trading or he will get smart and develop a system.

• The wisecracker — a gambler with a system. He has started over to try to win back the money he has lost. But he is going to make the same mistakes as the gambler because he is so

(Continued on Page 11)

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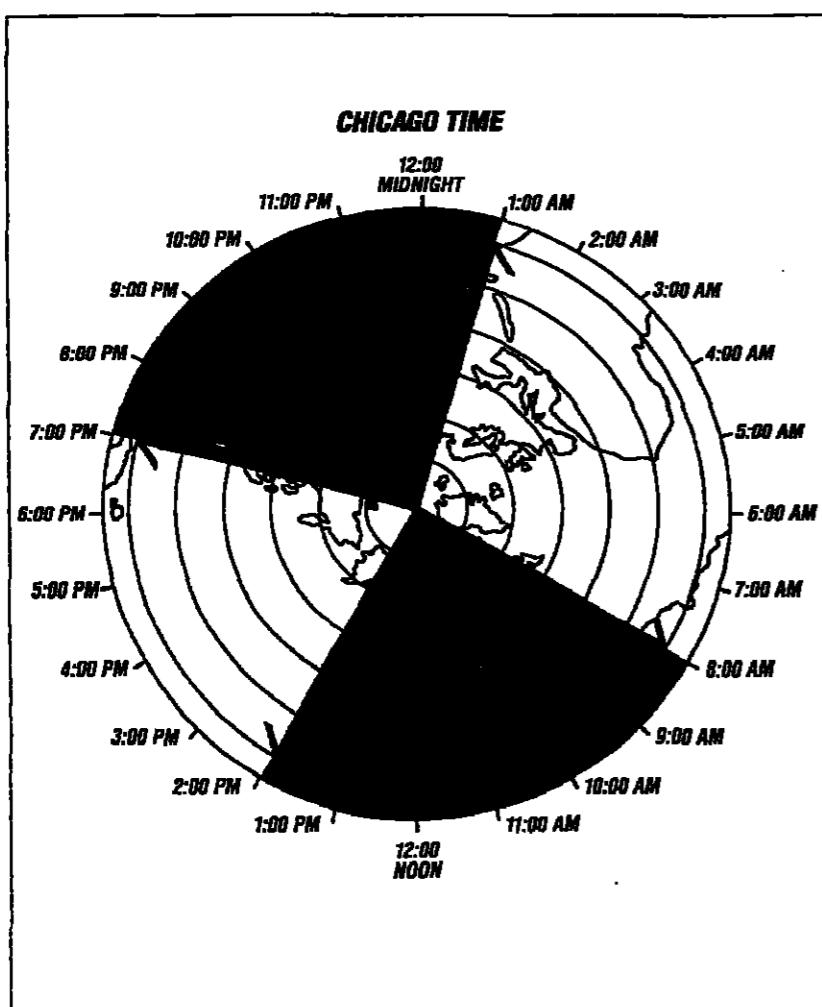
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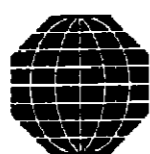
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A SPECIAL REPORT ON COMMODITIES

World Prices and Rising Interest Rates

(Continued From Page 9)
dollar has forced the U.S. exporters to reduce prices in an effort to remain competitive abroad. Downward pressure on U.S. domestic prices has resulted from a flood of imports made cheap by the dollar's strength.

The slower pace of economic growth in Europe vis-à-vis that in the United States, also contributed to reduce demand and subsequent price weakness. Whereas real U.S. economic growth during the first half of 1984 ran at a robust annual rate of 8.8 percent, the average rate of expansion in West Germany, Britain, Italy and France was only half of that.

The final culprit cited by most analysts as contributing to the plunge in prices is an abundance of supplies. While specific situations vary from commodity to commodity, many producers find themselves facing reduced demand and falling prices that they attempted to compensate for by increasing production, thereby exacerbating their dilemma, according to Evelina Taitner, an economist with First National Bank of Chicago.

In the case of the Organization of Petroleum Exporting Countries, Iran and Iraq engaged in price discounting to compensate buyers for

the increased risks and insurance costs of loading in a war zone. Nigeria asked for and received an increase in its production quota in an effort to boost revenues needed to make interest payments on its burgeoning debt to Western bankers. The Soviet Union, the world's largest oil exporting nation, cut prices in August to offset slack demand. And, Saudi Arabia, the linchpin of OPEC, inexplicably boosted production in July, for a time threatening the very survival of OPEC.

Although major oil exporting nations and the multinational oil firms have recently succeeded in shoring up prices for crude, the oil market remains vulnerable to a rapid slowing in economic growth in the industrial world that some analysts say is now occurring.

In contrast to oil, agricultural prices have almost exclusively been the victim of huge supplies. America's midlands are overflowing with wheat and feedgrains this year. Beneficial weather and government subsidy programs almost certainly insure that U.S. farmers will produce record or near-record corn and soybean crops. Cash-starved Brazil and Argentina also produced record soybean harvests. Although stepped-up Soviet demand due to poor weather has lent some

support to prices, gone are the days of the early 1970s when Soviet buying spree sent wheat prices soaring. The same holds true for other agricultural commodities. Government subsidized agricultural programs in less-developed countries have been initiated during the last few years in an effort to reduce food imports and foreign-exchange requirements.

Industrial metal prices have suffered for both supply and demand reasons. To begin with, prices for many never fully recovered from the reduction in demand associated with the worldwide depression of 1981-82. Research and development of stronger plastic, dropping the price of an ingot from 70 cents in January to slightly more than 49 cents near the end of August. Innovation in the recycling of aluminum cans has also reduced the demand and price of bauxite, the ore from which aluminum is processed.

The post-industrialization of America and other Western nations also has reduced demand as metal-processing industries shrink and service-based sectors grow.

The root cause of declines in gold and silver have special significance. For hundreds, if not thousands of years, precious metals were the financial refuge of investors faced with economic and political

uncertainty. In an era of low inflation and high interest rates, however, gold and silver have lost much of their luster. Where once a war in the Middle East sent gold prices soaring, today the haven of choice is the dollar or dollar-denominated government securities.

Perhaps the most intriguing question surrounding the precipitous weakening of raw materials prices is what it portends for the future. Though hailed by some as catharsis, ensuring a decade of the low rates of inflation experienced during the late 1950s and early 1960s, others are less sanguine.

The consensus view seems to hold that the world is experiencing disinflation, where some prices fall, but others rise or remain stable. Though disinflation represents a lowering of inflation and inflationary expectations that is likely to reduce the rate of inflation the rest of this year and early next year, beyond that most prices would probably resume normal increases. Though some now forecast that the inflationary spiral has been broken for the rest of the decade, this represents a minority view. More ominous, but also a minority, are forecasts that the collapse of commodity prices presages outright deflation, severe economic contraction and possibly a depression.

Investment in Managed Accounts Grows

By Morton S. Baratz

WASHINGTON — No one has accurate data about the total amount of money invested in managed futures accounts in the United States and the European Community. But Managed Account Reports, a U.S. publication, estimates that \$1.5 billion is currently being managed by futures trading advisers in the United States and another \$200 million by trading advisers in the United Kingdom and Western Europe. Included in the former total is an unknown but steadily growing sum owned by Europeans and entrusted to American futures money managers.

The numbers just mentioned, although large by some standards, are paltry in comparison with the vast sums invested in managed equity accounts, mutual funds and pension trusts. In the United States alone the aggregate for that kind of investment runs into many hundreds of billions of dollars. What makes the figures for managed futures accounts seem so striking is their current size compared with their size only five years ago. In the United States in 1979 the combined investment in managed futures accounts was barely one-sixth of what it is now. The same probably holds true for Britain and the rest of Western Europe. To put it succinctly, managed futures accounts have grown at a rapid rate.

There are several reasons for this growth, of which three seem especially important. First, more and more speculators who "do it themselves" have come to realize that the likelihood they will make money is no better than one in four, and many seasoned observers think the odds are less favorable than that. The prospects for profit for the owner of a managed account that is

traded by a seasoned, proficient money manager are substantially better.

Just how much is far from clear, but small-scale studies done by this writer indicate that the probability of profit may be much higher if market conditions are consistently hospitable to money managers' trading systems. A second consideration, related to but separable from the first, is widening recognition among investors as a breed that if some portion—say, 5 percent to 15 percent—of an investment portfolio is allocated to a managed futures account, the performance of the total portfolio can be enhanced considerably. In the more measured words of the late Professor John Lintner of the Harvard Business School: "The combined portfolios of stocks (or stocks and bonds) after including judicious investments in appropriately selected sub-portfolios of investments in managed futures accounts... show substantially less risk at every possible level of expected return than portfolios of stocks and bonds alone."

A third contributing cause of growth in managed futures accounts is the latter's solid performance, in comparison with other investment vehicles. It should be noted, in particular, that during 1978-1982 the annual rate of return on futures mutual funds was three times that on stocks and 28 times that on bonds, and that between June 1983 and June 1984, 13 of the top 20 performers in the futures fund group had higher rates of return than all of the 20 top-performing securities mutual funds.

Which were the best-performing, U.S.-based money managers in the four years between New Year's Day 1980 and New Year's Eve 1983? The answer is not as easy to

answer as one might think, because "best" means different things to different investors. Furthermore, it is somewhat misleading to compare trading managers with one another because they differ considerably in trading objectives, trading strategies and trading tactics.

Investment units of most, but not all, futures mutual funds are sold with a front-end load of 7 to 8 percent. The sales charge may be added to the unit value of the investment in arriving at actual purchase price of the unit, for example, \$1,000 plus \$70 equals \$1,070, or may be subtracted from nominal unit value, for example \$1,000 minus \$70 equals \$930. In a few cases, however, the general partner recoups the selling charges by taking all or a portion of the fund's earnings from investment of equity in interest-bearing media. Managed accounts opened in the name of a single person, however, practically never carry a front-end load.

The largest single component of costs is brokerage commission. Although the cost of executing a trade on a U.S. exchange rarely exceeds \$5, the charge to "retail" customers currently averages about \$85 per round turn; to limited partners of futures mutual funds, \$60-\$70 (although of late the average has fallen to the \$30-\$50 range); and to owners of large (250,000 and up) individual accounts and traders of similarly sized private pools, as little as \$15. In Europe, by contrast, the "standard" commission rate charged against managed accounts is \$100. Unsurprisingly, therefore, commission charges as a fraction of average annual equity in a managed account can vary from as little as 2 percent to as much as 25 percent—and go well above the higher figure if the money manager's trading system calls for an unusual

ly high volume of transactions. On the average, though, commission charges constitute from 15 percent to 18 percent of average annual equity.

The large majority of futures trading managers demand an administrative fee of 0.5 percent per month (about 6 percent per annum) of net asset value in the account; this fee is collected irrespective of gains or losses in the account, although its *ad valorem* character causes the fee's absolute amount to vary directly with the adviser's performance. Most managers also call for an incentive bonus, commonly computed at 15 percent per quarter on an increase in net asset value (after adjustment for deposits and withdrawals from the account) above a previous high point.

Owners of outsized individual accounts, like general partners of futures mutual funds, increasingly succeed, however, in extracting concessions in the fee structure negotiating discounts in both fees (for example, 4 percent administrative, 10 percent incentive) or eliminating the administrative fee in return for increasing the incentive fee to, say, 20 percent or 25 percent. What one must expect in most instances, in any event, is that the total costs of management will run between 20 percent and 30 percent of average yearly equity. That means, in turn, that the trading manager must produce a gross profit of 40 to 50 percent in order to present investors with a net return that justifies the high risk the latter take. More than a few do so, not only in single years but over a period of years.

Morton S. Baratz is editor of *Managed Account Reports* in Washington.

Price Stabilization Talks Reach Impasse

By Brij Khindaria

GENEVA — Negotiations to conclude international agreements to stabilize commodity prices are at a standstill because of growing doubts about their ability to deliver results.

The United States has always been skeptical of proposals promoted by the United Nations Conference on Trade and Development (UNCTAD) for international commodity agreements (ICAs) aimed at keeping world prices of certain commodities within pre-agreed price bands.

But similar skepticism was demonstrated in July by developing countries as well when they opted for a new international sugar agreement that did not contain provisions to stabilize prices.

The reasons for Third World skepticism are different from those of the United States but both reflect growing lack of confidence in the utility of ICAs in reducing price fluctuations.

The United States continues to oppose price stabilization accords because it feels that governments should not join hands in interfering with free market forces in turn.

Developing countries now recognize that current market conditions for such commodities as sugar have made price stabilization agreements unworkable.

For instance, so far this year world sugar markets have been unremunerative because prices have usually stayed below 6 cents a pound, whereas 13 cents a pound is generally considered to be the lowest price needed to cover costs. Stabilizing the price at such low levels is undesirable while raising them through an ICA is not feasible.

Both Western and Third World governments agree that poor nations exporting commodities are being seriously hurt by low prices. But consensus remains elusive on how to moderate the falling price trends.

In its latest annual report published on August 31, the UNCTAD secretariat said one of the main causes of low commodity prices is oversupply by producers. It implicitly admits that at this time creating agreement among producers to re-

duce supplies is more important than agreement among producers and consumers to stabilize prices through management of free markets.

UNCTAD continues to call for ICAs that would use a combination of export quotas and buffer stocks to stabilize prices. But running such accords can be very expensive. One estimate puts the cost of stocks for ICAs for cocoa, rubber, tin and sugar at more than \$3 billion.

This high cost is a reason that UNCTAD's ambitious Integrated Program for Commodities (IPC) has not met with much success since its inception in 1976.

The program requires conclusion of price stabilization agreements for 18 primary commodities, including cash crops, minerals and metals. A "common fund" of \$750 million is required to be created to help the managers of each ICA to raise the money needed to pay for buffer stock operations.

Although agreement was reached to create the fund in 1980, subsequent U.S. opposition to setting up new international financial institutions is likely to keep it from becoming operational for some time.

Negotiations for ICAs have mostly failed. Only the ICAs for natural rubber and jute were completed after 1976. The four other current agreements — on cocoa, coffee, sugar and tin — existed before that date.

A new agreement on tropical timber is reported to be near completion and another on tea might also make it to the finishing line after some more rounds of negotiation.

Among other negotiations at various stages of advancement are those for meat, vegetable oils and oilseeds, hard fibers, bananas and cotton.

None of the existing agreements has worked effectively to stabilize world prices. While the agreements on coffee, rubber and tin are credited with having helped to temporarily moderate price falls, those for sugar and cocoa have failed dismally.

In cases where falling price trends were moderated, doubts re-

main on whether the credit should go to ICAs or whether the moderation would have happened anyway.

The reason for the doubts is the large size of the price range allowed in the ICAs. For instance, the range varies from 90 percent for sugar, 80 percent for rubber and 60 percent for cocoa to 30 percent for tin. The new sugar agreement, which will come into effect on January 1 next year, will abandon efforts to stabilize prices. Instead, it will promote consultation among importers and exporters whenever prices enter a sharply falling trend.

UNCTAD's secretariat remains convinced that "an effective international commodity strategy" is urgently needed to safeguard the interests of producing countries against a price collapse arising from factors outside their control.

It has collected figures showing that Western exporters are hurt when Third World export earnings fall. For instance, between 1980 and 1982, the imports of Third World commodity producers fell by \$15 billion although their export earnings declined by only \$13.8 billion.

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A SPECIAL REPORT ON COMMODITIES

Few Signs of Upturn for U.S. Farmers Despite Strong General Economic Uptrend

By Jerome Idaszak

CHICAGO — The big news for the American farmer during the summer was no news — no drought, no federal program to idle cropland, no relief from high interest rates and no drop in the value of the dollar.

If the Soviet Union had not picked up its buying in the face of a Russian drought, the U.S. farmer would have been in very bad shape going into this fall's harvest.

Even with the Soviet buying, the comparatively cool days and timely rainfall across the midsection of America during the summer kept grain and soybean prices much lower than a year ago. That left farmers looking at potentially the second biggest corn crop on record and an equally big soybean crop. In addition, wheat farmers earlier in the year added to their already overflowing bins with a big harvest.

"A large portion of the rest of the U.S. economy has shown a strong uptrend, but that's generally not true in agriculture," said Ray Daniel, vice president for agriculture with Chase Econometrics, a forecasting firm based in the Philadelphia suburb of Bala Cynwyd.

"Farm income adjusted for inflation will be down this year and next," he added.

Farm income in 1983 was given a big boost due to widespread drought across the Midwest that hit a crop already reduced by a U.S. government program that paid farmers not to plant. Farm income, before adjustment for inventory, was \$26 billion last year. In 1984, it will be about \$22 billion.

The problem is continuing: supplies coupled with lack of exports because of the high value of the dollar.

"In 1983, the dollar went up 30 percent," Mr. Daniel said. "That cost the farmer 40 cents a bushel."

A look at future prices on the Chicago Board of Trade shows the falloff from a year ago.

Soybean futures, for example, were approaching \$10 a bushel in the summer of 1983 before various factors sent prices lower. In the summer of 1984 prices were below \$6.50 a bushel. Corn futures, \$3.30 a bushel at one point, went below \$3.

"That sets the stage for the 1985 U.S. program, which will be a strong debate on what we do about income," Mr. Daniel said. "We're going to have a real hot debate over two philosophies."

The first he summarized as "Let's drop loan rates and target prices, sell what the market will bear and get out of this problem"; the second says that "there's no such thing as free competition in the world anymore, that 90 percent of all wheat is bought and sold by governments. So we need to adjust our supplies and prop up our farmers with support."

The debate is likely to be heated even though farmers do not command the numbers of votes they used to. In the 1930s, the years of Dust Bowl and John Steinbeck's "The Grapes of Wrath," one in four Americans lived on a farm. In 1984, about three in 100 fall in that group.

But the group's impact remains significant in American politics; and it takes in both Republicans and Democrats.

While the administration of President Ronald Reagan has been strongly in favor of the market approach, it also came up with the 1983 program that was the most expensive in U.S. history — approximately \$23 billion.

"Maybe the demand will be so strong next year we won't have to worry about it," Mr. Daniel said. "But you've got a glut in wheat so big... 1.4 billion bushels. Corn is O.K., but it will be more than 1 billion bushels."

While the politicians debate new farm legislation in 1985, the traders on U.S. futures exchanges will be experimenting with a new cost management tool for farmers — option on agricultural futures.

"If properly and widely used, they [both futures and options] represent new tools that individual producers might use in addition to traditional federal programs," said Representative Dan Glickman, Democrat of Kansas.

Futures, of course, have been around since the Chicago Board of Trade was founded in 1848.

Options were banned after some abuses in the 1930s. But the futures industry has persuaded its federal regulatory agency, the Commodity Futures Trading Commission, to bless a pilot program for agricultural options.

The hope is that options will appeal to the farmer eventually because they work differently from futures, which are used by less than 5 percent of American farmers.

"We are very enthusiastic about the prospect for agricultural options; they're a limited risk alternative to futures," said William Byers, director of commodity research in New York for the investment firm of Bear, Stearns & Co.

"I think the agricultural community will become heavy users," added Bryan Monieson, chairman of the Chicago Mercantile Exchange.

The reason for their optimism lies in the unique nature of an option. A futures contract requires the holder to receive or deliver an underlying commodity or cash at a set price for a certain date; an option gives the holder the choice of exercising the option to buy or sell an underlying product.

The two work a bit differently. Ideally, Farmer Smith wants some protection for his crop. He could hedge, or sell a futures contract in corn or wheat that would lock in a price for him. But he faces two worries — if the value of the futures contract drops, he'll be required to add money to keep his position open. This could hurt him if the cash flow is a trickle until he harvests his crops.

The other disadvantage for Farmer Smith is that if the cash price soars, his futures position will block him from reaping the higher profits.

If he turns to options, Farmer Smith will pay a fixed price — called a premium — when he begins to trade. That might be about \$1,000 or \$2,000 for a 5,000-bushel option. He will not get any phone calls for more cash. And if the cash price takes off, he lets his option expire and collects the higher profits.

"With options, he buys an insurance policy. It does not cap him on the upside if there's bad weather or a pickup in exports," Mr. Byers explained.

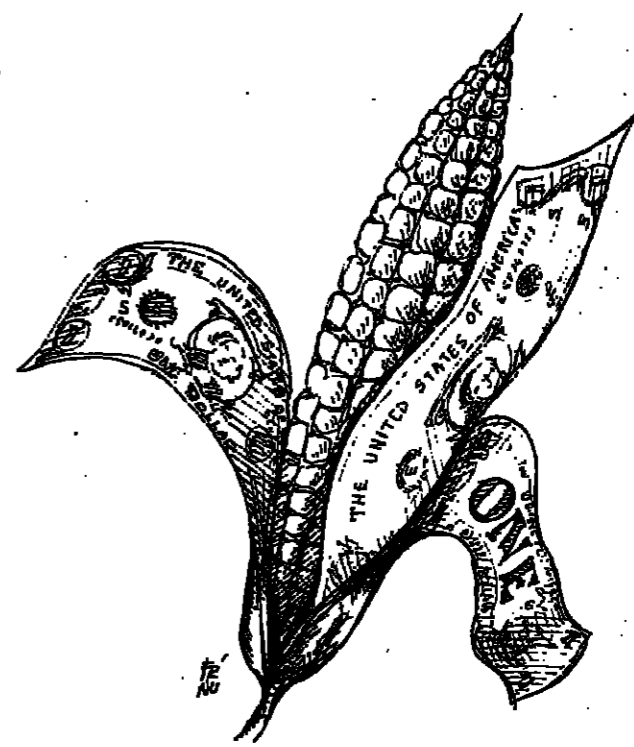
Mr. Byers thinks that agricultural options will meet with success quickly because brokers are familiar with options on stock, and so this will not be a totally new product for them to sell.

But others are more cautious.

"It's tailor-made for the farmer, but it's so complicated that it's going to take a couple of years before the average guy understands it properly and utilizes it," said Thomas Cunningham, a corn futures trader who is chairman of the Chicago Board of Trade.

The CBOT has experience with both futures and options — on U.S. long-term Treasury bonds. Its bond-futures contract does the biggest volume of any futures — more than 2 million a month this year.

The CBOT has watched volume in T-bond options gather steam



and roar. Volume through the first seven months in 1983 in this contract totaled 703,704. In 1984, T-bond options volume was almost 3.7 million. "T-bond options started slow and gained strength; that's

what [agricultural options] will do," Mr. Cunningham said. The exchange eventually expects big business — it is spending \$1.6 million for education and marketing of agricultural options.

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Worldwide Trading Linkages Alter Commodities Exchanges

By Philip McBride Johnson

NEW YORK — There are futures markets scattered about the globe, the result of local needs for the most part. These exchanges operated for years — in some cases, generations — with relatively little regard for their counterparts in other countries. To be sure they watched each other's prices but, as a rule, each served its own geographical area with only moderate encroachment from foreign-based exchanges.

All of that is changing. Two years ago, a networking relationship or "linkage" was established between the European Options Exchange in Amsterdam, the Montreal Exchange and the Vancouver Stock Exchange in certain identical commodity options for gold, silver and various currencies, so that a market for at least some of those products would be open somewhere for up to 16 hours each day and investors could trade at any of the locations as if it were the near-

by exchange. Within the last few months, this linkage went to a 24-hour continuous cycle when the Sydney Stock Exchange was added to the global ring.

A similar linkage was introduced last week between the Chicago Mercantile Exchange and the Singapore International Monetary Exchange in futures contracts on Eurodollars and foreign currencies. And, in a few months, a third linkage involving gold futures between Commodity Exchange, Inc. in New York and the Sydney Futures Exchange Limited will probably start.

The principle behind these linkages is simple enough. When an exchange closes for the day, business shifts to other markets that are then open, or to a number of round-the-clock dealers in the same product. In the past, this lost business has been largely irretrievable. But linkages between exchanges in different time zones permit them to "pass the book" (that is, forward orders) back and forth. In practical

terms, this means that a trader can acquire an investment on one market and, while it is closed, add to or sell out of that position on one of the other linked exchanges. This flexibility should be attractive to traders, especially in highly volatile instruments when the inability to act due to a closed exchange could inflict major losses. In addition, linkage allows trading to occur with a single margin requirement and one broker's commission. Finally, the competitive environment present at the exchanges would offer better prices to the investor than would be available from individual dealers.

No one is prepared to guarantee that these linkages will all be successful. Picking the right products (that is, those with global appeal) and the right partners (ready to wait it out) are critical components. And these plans will operate across national boundaries where different laws, business customs and even cultures may be involved. Those who prefer the coziness of

dealing with local merchants only, under predictable conditions and with well defined rights, may find it difficult to adapt to the unavoidable uncertainties of cross-border trading. Even so, the assumption is made — and probably with justification — that users of futures markets can cope in the world economy as well as the scores of other industries that have survived the rigors of overseas trade in the past.

Futures trading in the United States is more heavily regulated than anywhere else in the world. This is due to requirements set by Congress and the Commodity Futures Trading Commission that mandate prior government approval of each new futures contract, each exchange and each trading professional (brokers, salespersons, advisors and money managers). Of course, the CFTC cannot effectively require a firm in Tokyo or London to meet U.S. requirements, at least as long as the firm keeps its business abroad. Here, then, is a challenge for linkages between ex-

changes in different nations: How to assure investors that their interests are equally protected at each location.

While parity of investor protection might be achieved through international treaties in which the governments agree to common requirements, this is a long and difficult road. Instead, the upcoming linkages will rely mainly on private agreements between the exchanges in which these matters are addressed and, to a degree, informal liaison between the CFTC and its counterparts in the other countries involved. While there may still be some room for confusion, the system will probably be as secure as any international commerce.

Most, if not all linkages, will utilize guarantee systems through the clearing organizations of the exchanges that should protect investors against default under all but the most extreme circumstances. Arbitration programs will also be available in most cases to resolve customer disputes. And, of course,

each of the linked markets will prohibit and police against fraud, price manipulation and the like. While not the full equivalent of hands-on regulation by the CFTC, these measures assure a level of investor protection that might be absent at a non-U.S. exchange but for such a linkage.

The CFTC has proceeded to review each proposed linkage between a U.S. futures market and a foreign exchange with great deliberateness. In the case of the CME/SIMEX link, that process is virtually completed after many months of discussions. The regulations and the exchanges seem reasonably satisfied that all that can be done to make the plan safe has been done. The next step will be to offer the linkage to the trading public worldwide and to see if it agrees.

Philip McBride Johnson, partner in a New York law firm, was former chairman of the Commodity Futures Trading Commission.

Forecasting the Boom in Futures Rate Agreements

By Sherry Buchanan

LONDON — Since mid-July, the new market in futures rate agreements (FRAs) — the latest in interest-rate hedging devices — has been experiencing a mini-boom. But it is still too early to tell if banks' increased participation in the market will last or will fizzle out after the novelty wears off.

The FRA is in its infancy. Citicorp International Bank Ltd., the merchant bank of Citibank, London, started using the interest-rate hedging device late last year. But it was only in June that Tradition, the Lausanne-based money broker, introduced its own version and marketed it to a large number of banks. FRAs are the latest alternative to financial futures, interest-rate

swaps and options. Active deal makers now include the U.K. merchant banks, Hambros, Barclays, Citicorp in London, Banque Nationale de Paris and Société Générale in Paris as well as some Luxembourg and Canadian banks.

The FRA does not trade on an official market like the Chicago Mercantile Exchange or LIFFE. It is a private agreement between banks. Tradition and most of the London money brokers, are acting as the match-makers between Bank A, which wants to hedge against a rise in interest rates, and Bank B, which wants to hedge against a decrease in interest rates. The rate taken for comparison is the London interbank offered rate (Libor).

The FRA offers several advantages that its cousin, the financial

futures contract does not have. For one, the FRA does not have any margin calls. The FRA does not have any specific delivery dates either.

"With the FRA you have 360 delivery days a year," said a trader with one of the London banks. "You only have four delivery days a year with a financial futures contract."

In addition there is no capital risk. After the recent problems experienced by Continental Illinois, bankers are once again wary of taking too great a risk with each other. On the delivery date of an FRA, the banks party to the agreement only exchange the interest-rate differential, not the amount of the deposit.

Like the financial futures contract, the FRA is a good way for banks to increase off-balance sheet earnings. "It's a great way for banks to economize on the cash," said Jacques Baudou of Société Générale in Paris.

Hambros is already offering the FRA as a hedging device to corporate treasurers. "A futures contract is slightly inflexible as far as our

customers are concerned," said Ken Williams, chief trader at Hambros. "For a lot of our smaller customers who do transactions of between \$3 million and \$5 million it's not worth paying the margin every day." Other banks say they have not been approached by any of their corporate clients yet but expect to be able to offer the hedging device as well.

Ebb and Flow of World Oil Market

(Continued From Page 9)

heating oil prices are the biggest headache for the industry today, with gasoline running a close second," Mr. Evers noted. "Crude oil prices are actually less important because they are still controlled to a large extent by OPEC and the big companies."

While the Merc's heating oil and gasoline futures prices are based on delivery in New York harbor and crude oil in Cushing, Oklahoma, it does not affect most hedgers because they do not buy or sell futures with the intention of taking actual delivery. Rather, they mere-

ly use the futures as insurance against adverse price on the fuel they have bought or contracted to sell.

But there is a growing number of companies in the oil distribution business who are using the Merc's energy futures as "paper tank farms." Instead of actually buying the physical oil, they buy the futures. And instead of delivering fuel to their customers, they deliver the contracts.

The initial cost, or cash margin, of a futures contract is roughly 5 to 10 percent of the value of the fuel. But this margin must be maintained as long as the contract is held. However, these contracts can be closed out at any time before they expire. Buyers do this by selling; those who sold short-cover close out their position by buying.

One advantage of futures to dealers is that they can save storage and transport costs, while being protected against adverse price moves.

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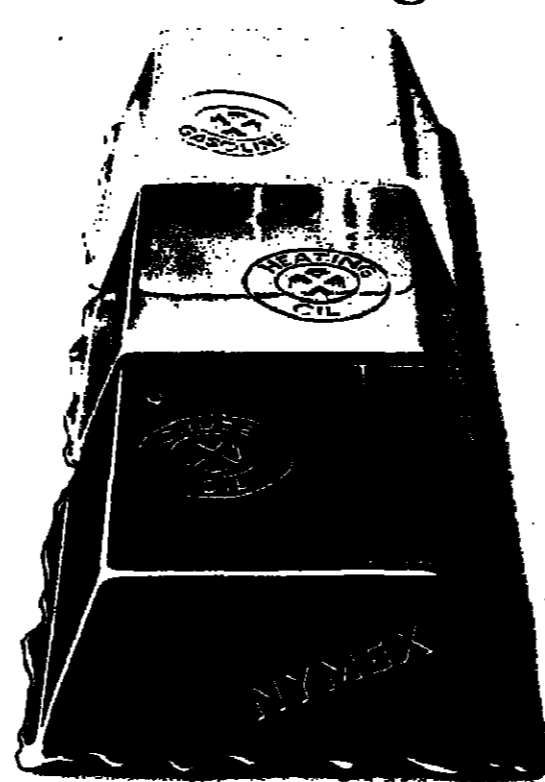
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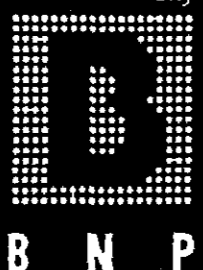
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FUTURES AND OPTIONS

A 'Gentleman's Agreement' Catches Swiss Bankers Short

By H.J. MAIDENBERG

New York Times Service

ZURICH — Few events in recent decades have so shaken the Swiss banking community as the phenomenal growth of the U.S. and British financial and stock-index futures and options markets.

One result of rising investor interest in these markets is that it is undermining an odd "gentleman's agreement" that has long existed between the Swiss banks and foreign brokerage houses doing business in Switzerland.

Under this arrangement, foreign brokers were supposed to refrain from soliciting local accounts. In return, the Swiss banks let the foreign brokers execute most of their securities business on foreign financial and equities markets.

The system worked well until recently. Now, the Swiss banks have found that many of their institutional and individual clients are moving their accounts to the foreign brokerage houses, mainly in the United States.

"When you have a monopoly, you become protective, not innovative."

Why? "Because more and more of our institutional and other clients are getting involved in these futures and options markets that we Swiss bankers have been ignoring," said Nicolas J. Baer, chairman of Bank Julius Baer, one of the major banking organizations in Zurich.

Mr. Baer continued: "We Swiss bankers have not been innovative for two main reasons. One, we have long had a monopoly on managing money for our clients here. When you have a monopoly, you become protective, not innovative. Secondly, Swiss banks, like our counterparts in other countries, have always equated futures and options with commodities, and commodities with speculation, which we considered the opposite of prudent investing. That is why there is no commodity exchange in Switzerland."

But today, he said, portfolio managers are often considered imprudent if they do not use financial and stock-index futures and options to hedge, or insure, their holdings. "And once the accounts move to the Drexel Burnham, Merrill Lynch and other brokers," he added, "they don't come back to the banks."

This is why the Zurich Stock Exchange is considering opening Switzerland's first futures and options markets.

"We estimate it will take three years to organize such markets, install the electronic equipment and, most important, acquire the level of expertise comparable to the talent in the Chicago futures and options exchanges," Mr. Baer said. "Actually, our biggest problem is finding space for futures and options."

THE building housing the Zurich Bourse, where trading has soared by 50 percent in the last two years, is owned by the municipality, which uses the only other available floor for political and other meetings. The local officials have indicated that they do not relish giving up the centrally located and traditional meeting hall.

In any case, the Bourse intends to move into a new building by 1990, Mr. Baer said, "and meanwhile we expect that, under the gentleman's agreement, the United States brokers will maintain their traditional low profile."

A somewhat different view was offered by Niklaus Inderbitzin, regional manager of Merrill Lynch Capital Markets, Zurich, who said: "The gentleman's agreement is still holding. But the fact is that today's money managers and other investors require expertise in the new financial and index markets. If the banks don't they can provide it one day, fine. At the moment, the foreign brokers have this expertise."

As a result, Merrill Lynch alone has increased its list of local institutional clients to 60 from nine since 1982, Mr. Inderbitzin said, without soliciting business. Other major foreign brokers have had similar gains, he added.

"Most of the Swiss futures and options business flows to the London markets," he said, "but we will have more of it to move

(Continued on Page 15, Col. 1)

Currency Rates

Latest interbank rates on Sept. 10, excluding fees.

Official fixings for Amsterdam, Brussels, Milan, Paris, New York rates at 2 P.M. EDT.

	\$	DM	FF	Yen	Sw	Sc	DK	Nor	Fin	SEK	Yen
Australia	2.339	1.728	1.365	161.25	13.76	10.46	13.76	10.46	13.76	10.46	13.76
Belgium	36.363	24.363	20.363	240.36	20.36	16.36	20.36	16.36	20.36	16.36	240.36
Canada	1.295	1.295	1.295	129.50	10.79	8.29	10.79	8.29	10.79	8.29	129.50
France	6.559	4.369	3.369	166.63	13.76	10.46	13.76	10.46	13.76	10.46	13.76
Germany	1.936	1.936	1.936	193.60	16.36	12.36	16.36	12.36	16.36	12.36	193.60
Italy	2.036	1.369	1.036	203.60	17.36	13.36	17.36	13.36	17.36	13.36	203.60
Japan	161.25	121.25	91.25	161.25	13.76	10.46	13.76	10.46	13.76	10.46	13.76
Netherlands	36.363	24.363	20.363	240.36	20.36	16.36	20.36	16.36	20.36	16.36	240.36
Spain	166.63	106.63	86.63	166.63	13.76	10.46	13.76	10.46	13.76	10.46	13.76
Sweden	10.46	8.46	6.46	104.60	8.46	6.46	10.46	8.46	8.46	6.46	104.60
Switzerland	7.203	4.703	3.703	720.30	13.76	10.46	13.76	10.46	13.76	10.46	13.76
United Kingdom	1.936	1.936	1.936	193.60	16.36	12.36	16.36	12.36	16.36	12.36	193.60
United States	1.000	1.000	1.000	100.00	8.46	6.46	10.46	8.46	8.46	6.46	104.60

Source: Reuters, 12:01 PM EDT.

U.S. dollar fixed at 166.63 FF to the dollar (1936 FF to the dollar).

U.S. dollar fixed at 100.00 Yen to the dollar.

U.S. dollar fixed at 1.936 DM to the dollar.

U.S. dollar fixed at 36.363 Bels to the dollar.

U.S. dollar fixed at 2.036 Liras to the dollar.

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Fall Seen In Output By OPEC

Mideast Survey Reports Decline

The Associated Press

NICOSIA — Total crude oil production by the 13 members of the Organization of Petroleum Exporting Countries in August fell to 16.4 million barrels per day, 1.1 million below the quota ceiling of 17.5 million, a weekly oil journal reported Monday.

The journal, the Middle East Economic Survey, said reliable data on OPEC production figures were not easily available. It said it arrived at its figures on the basis of its own rough estimates.

The August figure of 16.4 million barrels per day compared with estimated OPEC production of 17.8 million barrels per day in August 1983, the journal said.

At the indicated level of 16.4 million barrels per day in August, OPEC crude production was only slightly more than the projected 16.2 million barrels per day of OPEC crude required to meet expected non-communist world consumption in the third quarter of the year, the journal said.

"With the market thus more or less restored to balance and the expected fourth-quarter seasonal increase in demand now approaching, it is difficult to see last week's market weakness... as anything more than a temporary phenomenon," the journal said.

"Some observers feel that buyers are simply hanging back for the time being to see whether financial pressures due to lower exports (in Iran and Nigeria) will oblige producers to give bigger discounts. But provided the producers keep calm, the problem should be short-lived," the journal said.

[The Middle East Economic Survey said that last month's biggest drop in output was in Iran, where production fell to 1.7 million barrels per day from July's estimated output of 2.4 million barrels daily. Reuters reported. Output was also lower in Saudi Arabia, Libya, Nigeria, Indonesia and the United Arab Emirates, the journal said.]

Gasoline Prices Rise

An industry analyst said that stabilization of world oil prices prompted a quarter-cent increase in the average price of gasoline in the United States in the past two weeks, United Press International reported from Los Angeles.

Dan Lundberg's biweekly survey of dealerships in the 50 states showed Sunday that the average overall price of gasoline at the pumps was \$1.182 per gallon, up 0.27 of a cent since the last survey.

Regular unleaded gasoline at self-serve pumps averaged \$1.063 a gallon, up 0.36 of a cent. Regular unleaded was \$1.141, up 0.34, and premium unleaded was \$1.273, up 0.2 of a cent.

At full service pumps, regular unleaded was \$1.278, up 0.04, regular unleaded was \$1.344, up 0.19, and premium unleaded was \$1.424, down 0.01.

Prices started falling in May and continued to decline for 14 consecutive weeks during the heavy summer driving season, Mr. Lundberg said.

"But in the past four weeks, the prices have started to go up again because of the decision by OPEC to curtail production and its decision to stop the big discounts on the spot market," he said.

Some financial analysts believe that part of the cash being sought by the bank will go toward financing massive Soviet grain purchases in the United States, where Moscow has spent more than \$1 billion in the past six weeks.

But others see this as a secondary consideration and are more fascinated by the Russians' growing flexibility in adopting purely capitalist banking methods to increase or spread their funds.

Nowhere has this been more evident than in the growing Soviet role in the international foreign-exchange markets.

Japan's Big Microprocessor Push

Firms Expand Their Work on Semiconductors

By Andrew Pollack

New York Times Service

TOKYO — When NEC Corp. introduced a new family of microprocessors last spring, it marked a watershed for the Japanese semiconductor industry.

Japanese companies have already achieved well-publicized success in the market for memory chips, or circuits that store data in computers. U.S. manufacturers were alarmed when the Japanese captured the world market for two popular memory chips, known as the 64K and the 256K dynamic RAMs, or random access memories.

But now the Japanese are trying to move beyond RAMs into more complex chips requiring more design innovation. NEC's move into these microprocessors, the chips that serve as the brains of personal computers, is the boldest step in this direction, and one that is far from certain to succeed.

"Generally, Japanese companies' products have been oriented toward memories and other easy products," said Tomihiko Matsumura, senior vice president and director of NEC.

"We have to increase our position in the business field," he said. "To do that, we need proprietary products."

While Japan's move beyond RAMs faces many challenges, Japanese producers are making steady progress in expanding the scope of their activity in the semiconductor field.

Japanese companies accounted for 36.8 percent of worldwide shipments of semiconductors of \$18.7 billion in 1983, up from 34.2 percent of shipments of \$14.9 billion in 1982, according to Datquest, a California market-research firm.

And Japanese companies have now surpassed U.S. companies in the amount that they are investing in new plant and equipment, as they continue to expand aggressively.

Already Japan has produced some giants. NEC is now the third-largest semiconductor maker in the world, behind Texas Instruments Inc. and Motorola Inc., while Hitachi Ltd. and Toshiba Corp. are fourth and fifth, respectively. Much of the Japanese gains have been in memory chips. Hitachi was the largest memory-chip producer in 1983, rising from sixth in 1980.

Dynamic RAMs were the initial focus of Japan's efforts in the market because they are the largest volume part used and are fairly easy to design. Also, because they are standard parts, sophisticated marketing is not needed. The trick is in making them, a task at which the Japanese excel.

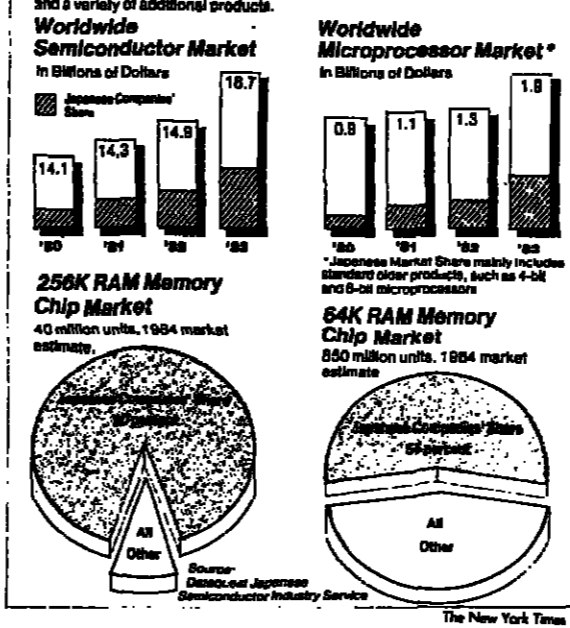
Japanese companies, particularly Hitachi and Toshiba, have also captured the dominant share in the market for a slightly different part, the static RAM. And several companies are making inroads in the market for erasable programmable read-only memory chips, or EPROMs.

Japanese companies, led by Fujitsu Ltd., are also becoming strong in the production of semicustomized chips known as gate arrays. These chips are mass-produced until the final few processing steps, when they are customized for each user.

Many analysts had expected that the trend toward more customized parts would hurt Japanese suppliers in the U.S. market

Japan's Presence in Semiconductors

The worldwide semiconductor market includes microprocessors, memory chips and a variety of additional products.



Source: Semiconductor Industry Association, The New York Times

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Dollar Reaches New Highs Then Retreats Slightly

The Associated Press

LONDON — The dollar surged to new highs in European trading Monday, then gave up some of its gains as traders began selling the currency to cash in on its record-shattering advance.

In its latest spurt, the dollar briefly climbed above 3 Deutsche marks, a level last seen in early 1973. The 3-DM level is considered a psychologically important barrier for traders.

The dollar also climbed to new highs against the currencies of Britain, France, Italy, Denmark, Finland, Norway and Sweden and a seven-year high against the Swiss franc.

Foreign exchange dealers said the dollar showed no sign of ending a week-long climb prompted by high U.S. interest rates and expectations of an election victory for President Ronald Reagan.

"People are trying to figure out what to do with these new levels. They're catching their breath," a London dealer said.

He said he believed the dollar was strengthened "by a feeling that it is increasingly obvious Reagan will win the election. The dollar is the best buy around at the moment."

By the close in Frankfurt, the dollar had retreated to 2.9922 DM, still up from 2.9695 at Friday's close.

In Tokyo, where trading ends at Europe's business day begins, the dollar rose to 246.10 yen from Friday's 244.55 yen. Later in London, the dollar was quoted at 245.73 yen.

In London, the British pound was quoted at \$1.7278, down from Friday's record-low rate of \$1.7273, which was also its closing rate, but picked up to close at \$1.7275.

The French franc closed in Paris at 9.165 to the dollar, down from Friday's 9.114, and the Swiss franc slipped to 2.4893 to the dollar, against 2.4695.

The dollar closed at 3.369 guilders in Amsterdam, up from 3.35 Friday, and in Brussels it was up to 60.28 Belgian francs against 59.79 Friday. The dollar closed at

U.S. Steel Plans Huge Asset Sales

Reuters

NEW YORK — U.S. Steel Corp. expects to sell assets valued at about \$1.5 billion between 1984 and the end of 1986, the chairman, David Roderick, said Monday.

He told securities analysts that there will be "no sacred cows" in the company's asset redeployment program.

U.S. Steel has sold assets totaling about \$300 million so far this year and expects additional sales of \$340 million by the end of the year. Asset sales in 1983 generated about \$500 million in cash.

Mr. Roderick said U.S. Steel has reduced its debt by \$600 million so far this year and expects to cut it by at least a further \$2 billion by 1986.

"The earnings outlook is brighter," Mr. Roderick said, adding that the company has unused net operating losses and investment tax credits that could be used to shelter about \$2 billion of future income.

He said U.S. Steel is "determined to weed out nonproductive lines in favor of money-makers."

U.S. Steel took a 1983 fourth quarter after-tax charge of \$650 million in connection with the shutdown of a dozen steel-making facilities.

"When facilities are obsolete, we must face the facts squarely and proceed accordingly," Mr. Roderick said. He estimated that plants closed in recent years would have produced annual losses of \$300 million had they remained in operation.

Mr. Roderick said the American steel industry needs a comprehensive solution to the problem of "unfairly traded" steel imports to the U.S. market.

He said such a remedy is required "before anything resembling a profitable production load can be predicted for U.S. Steel or any other American steelmaker."

French Employers Call for Economic Stimulation

By Axel Krause

International Herald Tribune

PARIS — Yvon Gattaz, president of France's employers' association, the Patronat, said Monday that he was encouraged by the "realism" of Prime Minister Laurent Fabius in approaching economic policy.

But he said the government risked failure if it did not quickly implement measures to stimulate business investment and job creation.

"Concrete measures are needed, but if the government does not react it will condemn itself and us to failure," Mr. Gattaz said. "Exhortations are not enough."

Describing the present outlook for the French economy as "full of gloom," Mr. Gattaz said that France's productive investments and exports were stagnating, compared with those of West Germany, Britain, the United States and Japan.

He also noted that France's annual inflation rate is 7.5 percent, compared with 2.2 percent in West Germany, France's largest trading partner, and that the rate of French business failures rose by 20 percent to about 12,000 during the first six months of 1984, compared with a year earlier.

"None of our major economic problems have been resolved, but the means for getting out of the crisis exist and have been implemented in other major countries," Mr. Gattaz said.

Most of the measures had been suggested earlier by Mr. Gattaz, notably a plan to reduce or eliminate business taxes to spur capital spending and a proposal to ease employers' rights to lay off workers.

But Patronat officials emphasized that the political context had changed significantly since July 17 when President Francois Mitterrand

**Tables include the nationwide prices
up to the closing on Wall Street**

Stock	Div.	Yld.	PE	Stk.	High	Low	C
				100s			Q

(Continued from Page 8)


The Krugerrand is an easy way to invest in gold.

Why?

Krugerrands are genuine legal tender gold coins. No other gold coin offers you as many good investment assets: exactly one ounce, 1/2 ounce, 1/4 ounce and 1/10 ounce of 999.9 fine gold plus a touch of hardening alloy.

Since they are minted in volume they are sold at an advantageously low premium over the daily gold price at banks, bullion coin dealers and precious metal brokers.

International Gold Corporation
1, rue de la Rôtisserie
1204 Geneva - Switzerland



KRUGERRAND

Money you can trust.

12 Month		Div.	Yld. Pct.	S&P	High Low		Close	S&P	Chg
High	Low				Stock	High			
30%	44	Weyer	4.59	16.0		117	45	64%	-
30%	39	Weyer	2.28	8.2		58	39	21%	-
40%	38	Weyer	1.00	15.2		48	38	30%	-
40%	34	Weyer	0.50	7.6		28	34	20%	-
40%	34	WHIC	1.50	9.9		31	34	30%	-
40%	34	WHIC	0.75	4.9		16	34	20%	-
40%	34	WHIC	0.38	2.5		8	34	10%	-
40%	34	WHIC	0.19	1.2		4	34	5%	-
40%	34	WHIC	0.09	0.6		2	34	2.5%	-
40%	34	WHIC	0.05	0.4		1	34	1.25%	-
40%	34	WHIC	0.02	0.2		0.5	34	0.625%	-
40%	34	WHIC	0.01	0.1		0.25	34	0.3125%	-
40%	34	WHIC	0.005	0.05		0.125	34	0.15625%	-
40%	34	WHIC	0.002	0.02		0.0625	34	0.078125%	-
40%	34	WHIC	0.001	0.01		0.03125	34	0.0390625%	-
40%	34	WHIC	0.0005	0.005		0.015625	34	0.01953125%	-
40%	34	WHIC	0.0002	0.002		0.0078125	34	0.009765625%	-
40%	34	WHIC	0.0001	0.001		0.00390625	34	0.0048828125%	-
40%	34	WHIC	0.00005	0.0005		0.001953125	34	0.00244140625%	-
40%	34	WHIC	0.00002	0.0002		0.0009765625	34	0.001220703125%	-
40%	34	WHIC	0.00001	0.0001		0.00048828125	34	0.0006103515625%	-
40%	34	WHIC	0.000005	0.00005		0.000244140625	34	0.00030517578125%	-
40%	34	WHIC	0.000002	0.00002		0.0001220703125	34	0.000152587890625%	-
40%	34	WHIC	0.000001	0.00001		0.00006103515625	34	0.0000762939453125%	-
40%	34	WHIC	0.0000005	0.000005		0.000030517578125	34	0.00003814697265625%	-
40%	34	WHIC	0.0000002	0.000002		0.0000152587890625	34	0.000019073486328125%	-
40%	34	WHIC	0.0000001	0.000001		0.00000762939453125	34	0.0000095367431640625%	-
40%	34	WHIC	0.00000005	0.0000005		0.000003814697265625	34	0.00000476837158203125%	-
40%	34	WHIC	0.00000002	0.0000002		0.0000019073486328125	34	0.000002384185791015625%	-
40%	34	WHIC	0.00000001	0.0000001		0.00000095367431640625	34	0.0000011920928955078125%	-
40%	34	WHIC	0.000000005	0.00000005		0.000000476837158203125	34	0.00000059604644775390625%	-
40%	34	WHIC	0.000000002	0.00000002		0.0000002384185791015625	34	0.000000298023223876953125%	-
40%	34	WHIC	0.000000001	0.00000001		0.00000011920928955078125	34	0.0000001490116119384765625%	-
40%	34	WHIC	0.0000000005	0.000000005		0.000000059604644775390625	34	0.00000007450580596923828125%	-
40%	34	WHIC	0.0000000002	0.000000002		0.0000000298023223876953125	34	0.000000037252902984619140625%	-
40%	34	WHIC	0.0000000001	0.000000001		0.00000001490116119384765625	34	0.00000001862645149230	

30%	31%	32%	33%	34%	35%	36%	37%	38%	39%	40%
19	19	19	19	19	19	19	19	19	19	19
XTRA	XTRA	XTRA	XTRA	XTRA	XTRA	XTRA	XTRA	XTRA	XTRA	XTRA

Z

34	34	34	34	34	34	34	34	34	34	34
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Grains

New Equipment

United Press International

RYE BROOK, New York — International Business Machines Corp. introduced on Monday new graphics displays and programs for its personal computers, a new model in its mid-range computer line and new models in the larger System 38 line.

IBM said the professional graphic display and graphics controller will enable personal computers to generate and display as many as 256 colors simultaneously from a selection of 4,096 colors.

The display is priced at \$1,295 and the controller is \$2,995.

The company also introduced a personal computer display and adapter offering high-definition text and graphics in 16 colors simultaneously from a selection of 64 colors. This display is priced at \$849 and the adapter card will sell for \$524.

IBM also unveiled a PC engineering-scientific series. The new programs and adapters can be used for engineering models, advanced scientific computations, and in the control of instruments in laboratories and factories.

IBM also said it is bringing out a new Model 3 in its 4361 midrange computer line. The Model 3 will be priced below current models at \$56,500.

62.82	63.57
64.45	65.07
64.55	65.25

Earnings

Revenue and profits, in millions,
are in local currencies unless
otherwise indicated

United States

Fluor

3rd Quar.	1994	1993
Revenue	1,070.	1,080
Operating Profit	1.92	18.4
Order Share	0.03	0.23
9 Months		
Revenue	3,170.	
Order Net	22.85	4.06
Order Share	0.29	0.45
		1.11

Geico

4th Quar.	1994	1993
Revenue	23.7	22.4
Net Income	5.21	(12)0.5
Per Share	0.37	
Year		1993
Revenue	72.0	70.7
Net Income	15.4	(12)0.5
Per Share	1.12	

©: Inc.

Heinz (J.)

1st Quar.	1994	1993
Revenue	1,003	940.3
Net Income	72.6	61.5
Per Share	1.0	0.7

Prev. actual

2,800	1,130
2,500	1,000
2,200	900
2,000	+200
1,800	+200
1,600	+200
1,400	+200
1,200	+200
1,000	+200
800	+200
600	+200
400	+200
200	+200
0	+200

1994

154	+1
144	+1
174	+1
164	+1
154	+1
144	+1
134	+1
124	+1
114	+1
104	+1
94	+1
84	+1
74	+1
64	+1
54	+1
44	+1
34	+1
24	+1
14	+1
4	+1
0	+1

Prev. actual

154	+1
144	+1
174	+1
164	+1
154	+1
144	+1
134	+1
124	+1
114	+1
104	+1
94	+1
84	+1
74	+1
64	+1
54	+1
44	+1
34	+1
24	+1
14	+1
4	+1
0	+1

1994

154	+1
144	+1
174	+1
164	+1
154	+1
144	+1
134	+1
124	+1
114	+1
104	+1
94	+1
84	+1
74	+1
64	+1
54	+1
44	+1
34	+1
24	+1
14	+1
4	+1
0	+1

Prev. actual

154	+1
144	+1
174	+1
164	+1
154	+1
144	+1
134	+1
124	+1
114	+1
104	+1
94	+1
84	+1
74	+1
64	+1
54	+1
44	+1
34	+1
24	+1
14	+1
4	+1
0	+1

1994

154	+1
144	+1
174	+1
164	+1
154	+1
144	+1
134	+1
124	+1
114	+1
104	+1
94	+1
84	+1
74	+1
64	+1
54	+1
44	+1
34	+1
24	+1
14	+1
4	+1
0	+1

Prev. actual

154	+1
144	+1
174	+1
164	+1
154	+1
144	+1
134	+1
124	+1
114	+1
104	+1
94	+1
84	+1
74	+1
64	+1
54	+1
44	+1
34	+1
24	+1
14	+1
4	+1</

146.25	146.75	1
143.60	144.45	1
142.80	142.80	1

[illegible]

KRUGERRAND
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Commodity and Unit	Mon.
Coffee 50 lbs.	1.42
Princeton 64/30 50 lb.	0.76
Steel billets (Fr.) 1 ton	32.03
Iron 2 1/2 Fr. Phos. 1 ton	213.80
Lead 100 lb.	26.72
Steel scrap No 1 heavy Pitt.	36.22
Steel scrap No 2 1/2	34.57
Aluminum 100 lb.	20.77
Zinc 50 lb.	0.48
Petroleum 100 lb.	1.85
Silver 100 oz.	7.15

Ch'ge

+5

+4

+3

+2

+1

0

-1

-2

-3

-4

-5

Upch.

actual

50

40

30

20

10

0

-10

-20

-30

-40

-50

Upch.

actual

Company Earnings

Revenue and profits, in millions, are in local currencies unless otherwise indicated

	1984	1983
4th Quor.	1,984	1,278
Revenue	2,521	2,241
Net Income	259.7	(a)24.6
Per Share	0.57	0.19
9 Months	1,093	1,167
Revenue	3,773	4,066
Net Income	22.85	(a)28.0
Per Share	0.29	0.36

	1984	1983
4th Quor.	1984	1983
Revenue	259.7	224.1
Net Income	25.97	(a)2.46
Per Share	0.57	0.19
9 Months	1,093	1,167
Revenue	3,773	4,066
Net Income	22.85	(a)28.0
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Per Share	0.57	0.19
9 Months	1,093	1,167

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The Deutsche mark futures options did not appear in this edition

MIAMI—A federal bankrupt

Judge gave Air Florida permission Monday to terminate an agreement it made with Eastern Airlines to fly a Miami-London route.

However, Judge Sidney Weis reserved until Friday a decision on whether it can terminate an agreement to sell landing slots in New York and Washington to Eastern.

Judge Weaver has set Friday as the deadline for Air Florida to file a plan with the Federal Aviation Commission, a Chicago-based Midway Airlines subsidiary, to allow the airline to devise a plan to put Air Florida back in the air. Air Florida, which filed for protection from creditors under bankruptcy laws, said Midway would not be interested with buying the slots.

COMPANY	PER	AND	PER	PER
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INCREASED				
Life Care	Q	37	10-5	
Mobile Gas Service	Q	34	10-1	
PROPOSED STOCK SPLIT				
Universal Treading Exchange - 3-for-2				
USUAL				
Lab Laboratories Inc.	Q	65	10-1	
Leasing Income Lj Inter	Q	49	9-20	
Italy Corp	Q	80	10-2	
Leasing Companies	Q	47	10-5	
Lowman High Yld Tr	M	116	9-25	
Lowman Income Fu	Q	109	9-25	
Lowman Curr	Q	109	10-5	
Lowman Perfor	Q	42	10-15	
Lowman	Q	29	10-15	
Lowman	Q	29	10-15	
Lowman	Q	29	10-15	
Lowman	Q	29	10-15	
Annual/M-Monthly: Q-Quarterly; S-Semi-Annual.				

Floating Rates Notes are not available in this edition because of computer problems.

BUSINESS ROUNDUP

Sports Car Body Contract for GM Helps Pininfarina to Bounce Back

By John Tagliabue
New York Times Service

TURIN—Pininfarina, the Italian design company, sells under two flags these days. On the one hand, it is the design center for GM's big new design center, just outside this Piedmontese town, where the American company's new cars and trucks are designed. On the other hand, it is the design center for GM's new sports car, which is to be called the Callisto. The design is an economic rather than a political statement.

Bell Group Says Profit Up 126%

PERTH, Australia — Bell Group Ltd. reported Monday that its earnings rose 126 percent to 40.54 million Australian dollars (\$33.68 million) in the year ended June 30 from 17.86 million the year before.

The rise in the multinational telecommunications group's profit came from across the full range of its activities, the chairman, Robert Holmes à Court, said. The world economy is recovering and greater efficiency in the group's operations, particularly in newly acquired companies, contributed to the earnings rise, he said.

Associated Communications Corp. PLC has become more efficient, after restructuring, in the period Bell has controlled it, he said. He added that Bell has been disposing of those assets it is not prepared to invest more in, and using the funds to invest in those it is keeping.

company's factory outside Turin was shut by strikes, and a major contract with Fiat, its largest customer, fell victim to the austerity Italy's largest automaker imposed to get its own house in order.

Today, though, a final verdict is pending, all that appears to be radically altered for the better, thanks in part to the GM agreement.

Last year, Pininfarina emerged from losses with a \$1.1-million profit, and started a two-year, \$15-million modernization program to tool up for GM production.

Under the GM arrangement, Pininfarina will design and build a convertible body for a Cadillac sports car, to be called the Callisto. GM hopes the new car will garner a share of the lucrative sports car market in the United States.

"The General Motors accord was extremely important," Sergio Pininfarina, the son of the company's founder and its present chairman, said recently. "First, psychologically. For the first time the world's biggest automaker grasped that it paid to engage a company like ours in a specialized project. If the accord succeeds, it opens new paths for Pininfarina."

"Secondly, the economic side: It permits Pininfarina to enlarge itself and to modernize, in a qualitative more than a quantitative sense."

For some, Pininfarina's contract with GM, following a similar accord between Chrysler and Maserati, the sports car maker, was chiefly a victory for Italy's design industry, which by some estimates earns \$10 billion yearly in export revenues.

But more important, some analysts feel, the company's recovery from bitter labor problems and declining profitability is emblematic of the way many of the family-owned companies that form Italy's economic backbone are prospering by seeking out market niches and supplying specialized services to corporate customers that could not perform them as cheaply themselves.

The critical move in the company's development was the decision in 1981 to begin producing small

batches of custom-built cars for large automakers who wanted to sell a prestigious sports car, but whose high-volume assembly lines were unable to produce them profitably.

Today, Pininfarina's single assembly line, where workers still use hand tools to smooth welds and polish coats of enamel, turns out about 120 cars and bodies daily for customers like Ferrari, Fiat and Lancia.

That number will rise to about 300, according to Andrea Pininfarina, Sergio's 27-year-old son and project manager for the GM accord, when a new robotized assembly line and total immersion paint shop go on stream next year.

You have new materials, and new expectations, like 10-year warranties against corrosion," he said.

About 1,400 of the company's 2,400 employees are now involved in producing bodies and cars. But though the industrial division, as it is called, generates \$72 million of revenue yearly, the company realizes that design, with revenues of about \$5.5 million, remains the heart of the operation.

Sergio Pininfarina, who turns 58 years old this month, acknowledges that it is the company's creativity, quality and exclusivity that attract corporate customers like General Motors. "The company will remain small," he said. "We do not want to grow."

Still, for an industrialist like Mr. Pininfarina, who was elected to the European Parliament in 1979 to represent the business-oriented Liberal Party, and who heads the Piedmontese Industry Association, GM's decision also reflects a shift in American investor attitudes.

Recalling American Telephone & Telegraph Company's decision last year to acquire a 20-percent stake in Olivetti, Italy's profitable office machine group, Mr. Pininfarina said: "From 1970 to 1981 there was a trend to disinvestment. That has changed."

He reflected a moment, then added: "They do well to invest here now — just as they did well to disinvest then."

BA Takes Case to Public Over Routes

LONDON — British Airways PLC went to the public Monday in its dispute with the government over plans to hand 30 of its major profitable routes to private operators.

The state-owned airline bought double-page spreads in the national press Monday to argue that the proposed handovers would do "nothing to stimulate a better service since there's no extra competition."

The chairman of the state-owned airline, Lord King, also told a radio reporter Monday that he and fellow directors will not obey orders to give up any routes. Defiance could mean the firing of the entire BA board.

The cabinet is to decide on the proposal, which was made by the Civil Aviation Authority, at its regular Thursday meeting.

Lord King has threatened before to resign if the government accepted the proposal.

Lord King, an industrialist and founder of engineering companies, said Monday that he had accepted leadership of BA in 1981 after being promised the airline's routes would be safeguarded.

In two years, Lord King cut the payroll from 38,000 to 36,000, reversed losses of £544.8 million (then nearly \$1 billion) and achieved an operating profit of £250 million (then \$365 million) in the fiscal year that ended March 31.

The government intends to sell BA to private enterprise next year.

The aviation authority is recommending that BA's operations from London's airport at Gatwick, and European flights from regional airports in the rest of Britain, should be transferred to independent operators.

Heinz Reports Rise in Net

PITTSBURGH — H.J. Heinz Co. said Monday that despite the strong dollar's adverse effect on overseas earnings, its profit rose 17.2 percent in the first quarter of its fiscal year.

Alcohol-Free Movement Is Big Business in France

PARIS — One of the newcomers to the French café scene has nothing to do with champagne, beer or mineral water. It is Brut de Pomme, a cider aimed at the cola consumer, and it is part of a change in drinking habits that is causing far-reaching changes in the French beverage industry.

Leading the new wave is the *sans alcool* movement, a shift by people concerned with health and diet away from alcoholic beverages to such things as alcohol-free beers, American soft drinks, iced teas, mineral waters, even an anis-based drink called Pacific.

The same phenomenon has been observed elsewhere in Europe and, with particular force, in the United States. But in France, where a meal without wine has historically been viewed as uncivilized, it carries additional cultural overtones.

"We don't drink every day the way we used to because our way of life is completely different," said Henry de Montigny, who follows the beverage industry for Tuffier Ravier, one of Paris's biggest stockbrokers, and who himself owns a vineyard.

"If people want to drink wine, instead of drinking a bottle of table wine each day at lunch between two or three people, they'll more often opt for a more expensive bottle of wine two or three times a week."

Over the last five years, the *sans alcool* movement, supported in recent months by a government tele-

vision campaign against drinking too much, has developed into a billion-dollar business. While it has had little impact on the market for premium wines and champagnes, it has cut sharply into demand for French table wine and wine-based aperitifs.

According to the French soft drink union, Syndicat National des Boissons Rafraichissantes, consumption of colas, tonics, bitters and fruit juices has rocketed, with cola consumption alone growing from 165 million liters (about 43 million gallons) in 1978 to 226 million liters last year. During the same time, French table wine consumption dropped 20 percent and beer sales remained flat.

One inconsistency stands out: At the same time that demand is falling for table wine and aperitifs, the appeal of the mixed drink has increased sales for grain spirits like gin and vodka.

According to Denis Berthou, communications director of Pernod Ricard, France's leading beverage producer and distributor of Cury Sark and Wild Turkey, France is also the only country in Europe where whisky sales are increasing.

"The mode is toward the long drink," said Gérard Lamy, a Paris-based beverage analyst with Union des Assurances de Paris, referring to the American practice of mixing alcohol with fruit juices.

The company that best illustrates the change in French drinking habits is Pernod Ricard, producer of Brut de Pomme. Although

the company made its reputation selling pastis, an alcoholic anis-based drink, it has been steadily expanding into the nonalcoholic beverage market since 1975 and is beginning to reap big rewards.

Last year, for example, sales for Pernod Ricard's alcoholic beverages in France slipped below 50 percent of annual sales for the first time. Demand for traditional aperitifs, like pastis and Dubonnet, and for such after-dinner drinks as cognacs and calvados was off as much as 16 percent, with sales down from \$545.8 million, to \$315 million.

By contrast, the company's non-alcoholic beverages and products division registered a 16.7-percent rise in French-based sales for products such as Coca-Cola and Orangina, an orange-based soft drink. Despite falling demand for alcoholic beverages, Pernod Ricard finished 1983 with earnings of \$58.8 million, 27 percent up from \$46.3 million a year earlier, on sales of \$946 million.

"That increase was due to our nonalcoholic division," Mr. Berthou said, adding that nonalcoholic beverages will account for 40 percent of sales this year. Mr. Berthou said Pernod Ricard had invested \$3.75 million in Brut de Pomme, the most it has ever invested in a single product.

Still, some analysts say the costs associated with producing soft drinks are high, requiring a 10-cent investment for every 12.5 cents of sales.

And others contend that the soft drink movement is less a reflection of public worry over health and diet than of simple monetary concerns. They point to the *vignette*, a stiff 10-franc (just over \$1 at current rates) social security tax instituted by the government last year on all spirits with more than 25 percent alcohol.

"The vignette was a very, very heavy tax for French people," Mr. Lamy said, adding that taxes on spirits of more than 25 percent alcohol account for 77 percent of their cost, compared with 55 percent five years ago.

So far, however, beer and wine consumption has remained almost unaffected by the tax. According to the Confédération des Associations Viticoles de France, the French table wine union, table wine consumption has continued its five-year free fall, from 38.5 million hectoliters in 1978 to 31.5 million last year.

And according to the Union Générale des Brasseries en France, which accounts for 50 percent of French beer production, overall beer consumption has remained at 22.4 million hectoliters during the same period.

Meanwhile, producers of premium alcoholic beverages are calmly going their way. A spokesman for Moët Hennessy, asked whether the producer of fine champagnes and cognacs would consider venturing into the soft drink market, said: "Absolutely not. We're staying right where we are."

Apple Introduces Bigger-Memory Macintosh

CUPERTINO, California — Apple Computer Inc. said Monday that it has introduced a new Macintosh personal computer with a bigger memory.

Its 512 kilobytes of internal memory, or 512,000 characters, will allow users to take advantage of larger documents and models, faster response time and more than 40 business productivity software programs, Apple said.

The company said the 512K was introduced several months ahead of schedule because "significant quantities" of 256K microchips are now available.

They said it will carry a suggested retail price of \$3,195.

Apple said it is also cutting the price of its 128K Macintosh to \$2,195 and a 512K memory expansion kit will be available for \$995.

The 512K "increases the capacity of Macprojet, Apple's project management tool to be released next month, enabling users to work on up to 2,000 tasks per project."

"Should a user need to develop a project with only 200 tasks, the Macintosh 128K system would be the right choice," it said.

With its Macwrite program, users can now store up to 80 pages of text.

It said Microsoft's multiplan spreadsheet models also are significantly larger on the 512K.

Apple said a 512K system will be necessary to run Lotus Development Corp.'s future Macintosh product.

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COMPANY NOTES

American Information Technologies Corp.'s growth plans have been restricted by a shortage in digital switching systems, according to James I. Howard, president. Ameritech plans a 1985 capital budget of about \$1.6 billion, slightly under the 1984 level, he said.

Central Electric Brazil SA, known as Eletrobras, has raised a 15-billion yen (\$61.2-million) nine-year syndicated loan, Bank of Tokyo Ltd. said. The first tranche is for 9 billion yen at 1.625 percentage points over Japan's long-term prime, currently 7.9 percent, the second a floating rate of 1.425 points above the long-term prime rate, reviewed every six months.

Dee Corp. PLC, formerly Linford Holdings, is making an "earn-out" bid for Lennox Group PLC on the basis of two Dec ordinary shares for every 19 Lennox ordinary shares. The offer values Lennox at £23.2 million (\$29.5 million) or 59.8 pence per share. The companies said their retail businesses are complementary.

ITT Corp., the telecommunications manufacturer, said it is making the Netherlands its European distribution center through which 2 billion guilders (\$396 million) of ITT goods are expected to flow each year. The company said it will also invest 300 million guilders in its Dutch subsidiaries over the next five years.

Lufthansa, the German airline, said it is cutting roundtrip holiday fares from nine U.S. cities to West Germany from Nov. 1 to April 30. For example, the New York to Frankfurt fare will be cut \$100 to \$499.

Malaysian Airline System, the state-owned carrier, expects net profit in the year ending March 31, 1985, to be above 1983-84's 90 million Malaysian dollars (\$38.4 million), after an anticipated 50 million dollars in the first half, largely because of a projected increase in revenue and reduction in operating costs.

Mannesmann Anlagenbau AG, a

subsidiary of Mannesmann AG, and International Management & Engineering Group Ltd. of London won a \$170-million contract to build a 215-kilometer (133-mile) oil pipeline in Colombia. The contract was awarded jointly by Occidental Petroleum Corp. and the Colombian state oil company, Ecopetrol.

Pay 'n Save Corp. directors Samuel N. Strum and Stuart Sloan said they may make a proposal to acquire the company or "otherwise generate a better deal" for stockholders. The two, who control 18 percent, last week voted against a plan for the company to be acquired by investors led by Trump Group and three senior management members.

Ruhrkohle AG's shareholders approved a bid by the diversified energy group VEB AG to increase its stake in Ruhrkohle.

West Germany's largest coal-mining concern, to 40 percent from 27.2 percent. Vereinigte Elektrizitätswerke Westfalen AG also received shareholders' approval to lift its stake to 22 percent from 0.2 percent.

Standard Telephones & Cables PLC said bid acceptance have increased its stake in ICL PLC to 36.79 million ordinary shares or 81.4 percent, and the STC offer is now wholly unconditional. It said its offer will remain open until further notice.

Volvo North America Corp. plans shortly to commence a cash tender to buy up to four million common shares of Hamilton Oil Corp. at \$19.50 each. The plan is in line with previously announced intentions, it said. Volvo North America currently owns 8.04 million shares, or about 32 percent, in Hamilton.



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Swiss Look At Options

(Continued from Page 13)
on to Chicago and New York as the 24-hour trading day is transformed from an informal to a structured market.

Meanwhile, Ferdinand Prisi, chairman of the Swiss Commodity and Futures Association in Geneva and president of Consolidated Financial Services in Lausanne, has been trying to avoid any further problems between his fellow bankers and the foreign brokers in a typically Swiss manner.

Mr. Prisi's association has opened an international institute in Geneva to train both foreign and Swiss bankers and brokers in financial and stock-index futures and options markets.

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[illegible]**Sept.**

High Low S.P.A.C. Cn		Net	
57	1094	1094	-75
58	1094	1094	-75
59	1094	1094	-75
60	1094	1094	-75
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149	1094	1094	-75

Sept. 10

Van der Aalst	Helder	KTel Intl	MountMed
Lippenheim s	TelephData	Weespercorp	

PERSONALITIES PLUS
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THE WEEKEND SECTION
OF FRIDAY'S IHT

WASHINGTON — President Ronald Reagan ordered the International Trade Commission on Monday to launch a top-priority investigation of tobacco imports to help him determine whether to impose trade restrictions to protect the domestic tobacco industry and the federal tax revenues currently

A Fed Governor Says Markets Misread Policy

By Peter T. Kilborn
New York Times Service

WASHINGTON — A governor of the Federal Reserve Board said that nothing in the Fed's current policies could explain rises since last August in an important interest rate that influences all other rates.

The governor, J. Charles Partee, left the impression that the central bank's policy-making committee agreed at its meeting Aug. 21 and 22 to maintain its current posture on interest rates, bank reserves and the money supply.

The early-August rallies of the stock and bond markets fizzled partly because investors interpreted minutes of the July meeting, published Aug. 24, as signaling a tougher Fed policy. Minutes of the August meeting are not expected until early next month.

At the July meeting, the Fed raised its ceiling for the federal funds rate, which banks charge one another, to 12 percent from 11 1/2 percent.

Some analysts contended the decision merely confirmed a trend already apparent in the market place. Others contended that, in endorsing the higher rate, rather than deciding to try to force it back below 11 1/2 percent, the Fed had tightened its restraints.

In an interview, Mr. Partee, a consistent member of the majority of the 12-member Federal Open Market Committee, suggested that the latest-rate increases resulted from nervousness within the banking system that had persisted since the run on Continental Illinois National Bank in May and had been exacerbated by the more recent difficulties of Financial Corp. of America.

Last week the funds rate fluctuated between 11 1/2 and 11 3/4 percent.

"Nothing from our position could put the Federal funds rate up," Mr. Partee said. "It must be because of a change in market circumstances. I guess banks are being more cautious."

Last week the Fed pumped up the banks' reserves, which adds to the funds available for lending. Some analysts have interpreted this to mean the Fed is concerned by the rise in the Fed funds rate, and

Mr. Partee's remarks appear to reflect that concern.

The Fed's role in the economy is unusually sensitive now because of the presidential campaign. Overt action to slow or stimulate the recovery could lead to charges of partisanship and, eventually, new controls over the Fed's freedom to set monetary policy without the participation of Congress and the administration. But in trying to discourage partisan criticism, the Fed has confused the market over its actual intentions.

Federal funds are unsecured, overnight loans that banks make to one another.

Most federal fund loans are made to big banks by smaller banks, whose reserves often far exceed the Fed's requirements. The Fed can influence the rate by modifying its reserve requirements, but the banks themselves affect it, too, by the amounts they are willing to make available for lending.

Normally banks lend readily to one another, but the Continental affair has made some jittery in their willingness to lend to some that are known to be burdened with problem loans. "It's very unusual for that to happen in the banking system," said David Jones, economist at Aubrey G. Lanson & Co.

Mr. Partee said that he had seen no signs of bank lending that would suggest rising demand for funds and thus higher rates.

"The level of borrowing has remained at the level of \$900 million to \$1.1 billion for weeks," he said.

He said the pressure on the Fed funds rate might have been coming instead from a reluctance of some banks to lend to others and from some troubled banks' difficulties in raising funds by issuing certificates of deposit at desirable rates, so that they have been relying more on the Fed funds market.

Some credit market analysts say additional pressure on the rate arises from a reluctance by banks to borrow directly from Fed. The Fed's discount rate of 9 percent is unusually attractive. But bank investors and depositors could interpret such borrowing to suggest a bank is having difficulty raising funds.

Other Economies Said to Lead U.S.

Reuters

NEW YORK — The combined index of leading indicators for the six major industrial economies outside the United States is rising faster than the U.S. index for the first time since the current economic upswing began, the Conference Board said Monday.

A board survey shows the composite leading index rising at an annual rate of 7 percent, against 5 percent for the United States. The research group made up of business leaders said Japan's indexes are rising at an annual rate of 11 percent. Indexes are advancing at 7 percent in France, 6 percent in Italy and West Germany, 5 percent in Canada and 2 percent in the United Kingdom.

Japanese Companies Expanding Work on Microprocessors

(Continued from Page 18)

computers. Many companies and government laboratories are investigating gallium arsenide, a material that can be used instead of silicon to make faster circuits. The U.S. military has already expressed interest in acquiring Japanese gallium arsenide technology.

If there is one area in which the Japanese clearly lag, however, it is in designing circuits with new functions. It is for this reason that NEC's microprocessor efforts will be closely watched.

Until now, Japanese companies have generally made microprocessors based on American designs, either by licensing the designs or simply copying them.

But in a sign of the changing times, Zilog Inc. — a U.S. company that a year ago accused NEC of copying its chips — has agreed to be the second source for NEC,

meaning it will make the chips under license from NEC.

NEC faces great challenges because it is a late starter. It is only now starting to ship samples of its 16-bit microprocessors, which have been in personal computers since about 1981.

Intel Corp., which makes a 16-bit microprocessor used in International Business Machines Corp.'s Personal Computer, has a strong hold on the market that is not likely to be broken.

Most companies want to make computers at least partly compatible with the IBM machine, meaning they want to use Intel processors. Most of the rest of the 16-bit microprocessor market is held by Motorola, which makes a chip used in the Apple Computer Inc. Macintosh and Lisa computers.

To gain a foothold, NEC has made its microprocessor more sophisticated than Intel's but similar enough so that switching from Intel to NEC would not be difficult.

Still, no one expects NEC to fare very well.

NEC might have a better chance in the market for 32-bit microprocessors. Computers that use those chips are only starting to appear on the market. Even here, however, NEC is a late starter behind Intel, Motorola and National Semiconductor Corp.

To make a major move into microprocessors, NEC, in effect, must persuade the computer industry to rally around its chip as the basic

architecture of their computers.

This is a political and marketing task as well as a technological one. And it is one in which NEC's own involvement in the computer business might be a disadvantage. Other computer companies may not want to rely so heavily on a chip made by a competitor. Other Japanese companies, including Toshiba, Fujitsu and Hitachi, are also working on their own 32-bit microprocessors, but in the meantime they are being more cautious.

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ALMA MANAGEMENT		\$17.42	ORANGE NASDAQ GROUP		\$12.00
(a) ALMA Fund		\$17.42	(a) ALMA Fund		\$12.00
(b) ALMA Fund		\$17.42	(b) ALMA Fund		\$12.00
(c) ALMA Fund		\$17.42	(c) ALMA Fund		\$12.00
(d) ALMA Fund		\$17.42	(d) ALMA Fund		\$12.00
(e) ALMA Fund		\$17.42	(e) ALMA Fund		\$12.00
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(k) ALMA Fund		\$17.42	(k) ALMA Fund		\$12.00
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(s) ALMA Fund		\$17.42	(s) ALMA Fund		\$12.00
(t) ALMA Fund		\$17.42	(t) ALMA Fund		\$12.00
(u) ALMA Fund		\$17.42	(u) ALMA Fund		\$12.00
(v) ALMA Fund		\$17.42	(v) ALMA Fund		\$12.00
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(x) ALMA Fund		\$17.42	(x) ALMA Fund		\$12.00
(y) ALMA Fund		\$17.42	(y) ALMA Fund		\$12.00
(z) ALMA Fund		\$17.42	(z) ALMA Fund		\$12.00
(aa) ALMA Fund		\$17.42	(aa) ALMA Fund		\$12.00
(ab) ALMA Fund		\$17.42	(ab) ALMA Fund		\$12.00
(ac) ALMA Fund		\$17.42	(ac) ALMA Fund		\$12.00
(ad) ALMA Fund		\$17.42	(ad) ALMA Fund		\$12.00
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SPORTS

McEnroe Overwhelms Lendl For U.S. Tennis Championship

By Jane Gross

NEW YORK — John McEnroe used his battery of serves and volleys, alternately overpowering and teasing, to dominate Ivan Lendl to regain the U.S. Open tennis title he held from 1979 to 1981.

McEnroe's 6-3, 6-4, 6-1 victory Sunday was a testimony to his artistry and will as it came less than 15 hours after a bruising five-set semifinal victory over Jimmy Connors, a match that lasted 3 hours 45 minutes and ended at 11:13 p.m. Saturday.

"I feel unbelievable and terrible at the same time," McEnroe said after winning his second consecutive Grand Slam tournament, running his match record for the year to 66-2 and collecting the \$160,000 first prize. "My body said, 'That's enough,' but the fact that I was tired made me concentrate better. The more tired I felt, the better I thought I hit the ball. It was a mental thing—push, push—and I didn't get angry at anything because I needed every ounce of energy I had."

Conservation of energy was a lesson McEnroe had learned at the French Open, when the temperamental explosions that have marked his career turned a two-set lead into a five-set loss to Lendl, giving the Czechoslovak his first victory in a Slam event. After that defeat and another stormy display at a Wimbledon preparatory tournament, McEnroe has displayed a sort of serenity.

"I learned certain things about wasting energy," said the New Yorker who had gained the Wimbledon title with good manners and dazzling play, including a final round triumph over Connors that McEnroe characterized as his finest match ever. "It hit me the hardest after the French, that I had to stop doing that. The important thing is to learn a lesson every time you lose. Life is a learning process and you have to try to learn what's best for you. Let me tell you, life is not fun when you're banging your head against a brick wall all the time."

McEnroe will never be a gentle soul on the court, but his outbursts Sunday were leavened with humor. Early in the second set, he loudly urged a ballstruck judge to "grow some hair." Later in the set, when he failed to convert two break points, he responded to a questionable call by lying spread-eagle on the court while laughter rolled through the National Tennis Center stadium.

At the postmatch news conference, he broke up a room full of several hundred people with a report as quick as a reflex volley. A reporter who had been the official scorer at Friday's baseball game asked the awarded the Chicago Cubs' Keith Moreland a single that broke up Dwight Gooden's no-hit for the New York Mets, asked McEnroe to explain his startling stamina.

"First you explain to me how you gave that guy a hit the other night," he shot back.

With one of his astonishing volleys, McEnroe deprived Lendl of the best chance he had in a match in which Lendl could never break serve. Lendl had a break point in the second game of the second set. On the next point, with McEnroe at the net after a first serve, Lendl unleashed one of his blistering passing shots. It nicked the net, McEnroe spun in a full circle and still had enough sense of where his opponent was to counter with a winning forehand volley.

"I was leaning in that direction,"

McEnroe said, as if totally unimpressed with himself. "Once it caught the net, I knew it was somewhere in that area, so I just adjusted from there."

"No matter what left-hander you find in the world," said Lendl, who has now lost three straight finals here, the first two to Connors, "none of them is going to serve and volley like McEnroe."

At the start, McEnroe logged himself around the court as if unspeakably weary. In his first service game, he scored four times on blazing serves as if desperate to play the points in the quickest way possible. Lendl, for his part, seemed perky, leaping from his chair at a changeover a full minute before the delay mandated by the television commercials.

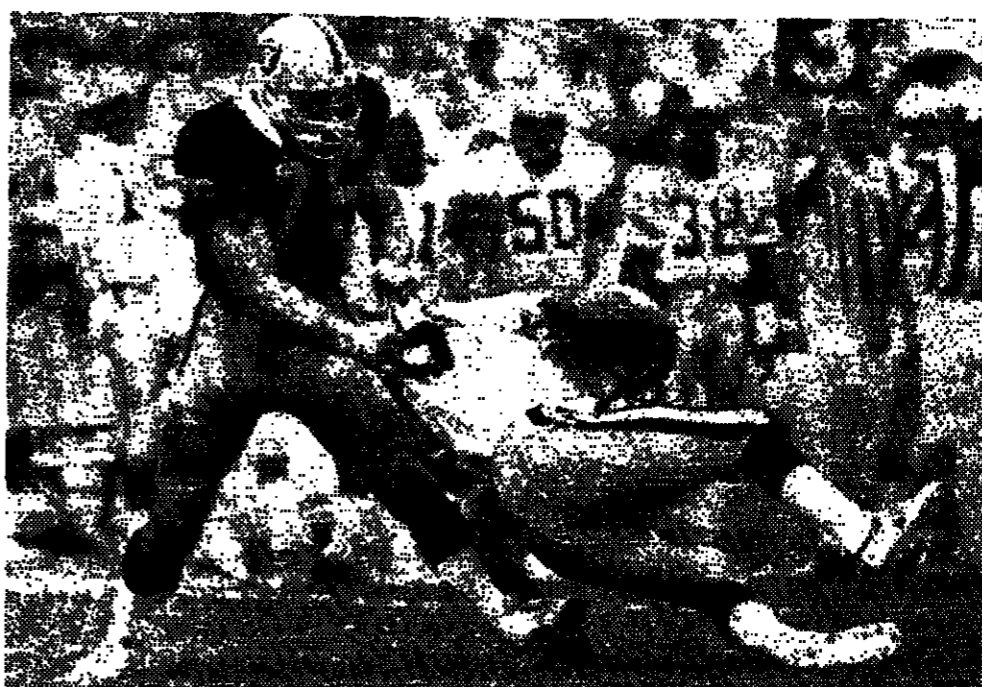
McEnroe gained the one break he needed in the sixth game of the set by angling a backhand volley, and he served out the next game at love, finishing with an ace to the forehand side that was so fast it was nearly invisible from a court-side seat. On his next service game, gunning for the set, he again held at love with three thunderbolt serves.

In the second set, McEnroe's one break came in the seventh game, but it was in the sixth that he most demonstrated his genius. He served to a 30-0 lead, but Lendl climbed back on one of McEnroe's six double faults and his own backhand cross-court winner. Then, rather than blasting the ball at Lendl, McEnroe offered a change-of-pace serve that caught him unaware. The game point was an ace, one of eight for McEnroe in the match, and it was even slower than the serve before it.

McEnroe raced to a 4-0 lead in the third set with two breaks, eager to "get in the driver's seat so I didn't do what I did in Paris." Lendl continued to play avidly, unlike in his final against Connors last year when he lost the advantage with a double fault at 5-4 in the third set and never won another game in the four-set match.

By winning the French Open, Lendl deprived McEnroe of a chance for a 1984 Grand Slam, with the last of the four major tournaments to be played in Australia in December. Martina Navratilova was awarded a revisionist Grand Slam for four titles spanning two calendar years, but McEnroe is a traditionalist on such matters.

"In my mind, I'd have to win it in the same year," he said. "But four in a row is pretty impressive, and I'd take that."



Howie Long of the Raiders dragging down Randy Wright, the Packers' quarterback, during their National Football League game Sunday in Los Angeles. The Raiders triumphed, 28-7.

Krieg Scores Twice to Lead Seahawks To a 31-17 Triumph Over Chargers

Compiled by Our Staff From Dispatches

SEATTLE — Dave Krieg ran for two touchdowns and passed 22 yards to the rookie Darryl Turner for another score in leading the Seattle Seahawks to a 31-17 National Football League victory Sunday over the San Diego Chargers, who were playing without Kellen Winslow and Chuck Muncie.

The game marked the Seahawks' debut of Franco Harris, who was

signed last week to replace the injured Curt Warner. Harris, who is

approaching Jim Brown's NFL rushing mark after 12 seasons with the Pittsburgh Steelers, carried 14 times for 46 yards in spot duty.

Despite Harris' much ballyhooed arrival in Seattle, it was Krieg who paced the Seahawks. After a dismal first quarter, Krieg bounced back to complete 18 of 38 passes for 263 yards. He was also Seattle's leading rusher with 61 yards on six carries.

Krieg ran 37 yards out of shotgun formation midway through the third period to snap a 10-10 tie. The touchdown scamper followed Dave Brown's interception at midfield, one of eight San Diego turnovers in the game.

Krieg scored again on a 3-yard sweep on the second play of the

fourth quarter to cap a 71-yard march and boost the Seahawks lead to 24-10. Seattle's other scores came on a 1-yard run by Eric Lane and a 41-yard field goal by Norm Johnson.

Colts 35, Oilers 21

In Houston, Mike Pagel threw three touchdown passes, two to Ray Butler, to lead Indianapolis to a 35-21 triumph over Houston.

Pagel's first touchdown pass of the season, a 31-yarder to Butler with 72 seconds left in the first half, gave the Colts a 21-14 lead. He hit Butler again for 14 yards in the third quarter and connected with Tracy Porter for a 33-yard score in the fourth quarter.

Pagel completed 15 of 20 passes for 215 yards in directing the Colts to their first triumph of the season.

Raiders 28, Packers 7

In Los Angeles, Frank Hawkins, Marcus Allen and Derrick Jensen rushed for second-half touchdowns to help the Los Angeles Raiders down Green Bay, 28-7.

In improving to 2-0, the Raiders shut down Green Bay's explosive receivers by limiting John Jefferson to three catches and blanking James Lofton. Green Bay, which used three quarterbacks, fell to 1-1.

Randy Wright, a rookie from Wisconsin, replaced Lynn Dickey early in the first quarter after Dickey left with a bruised back. Dick Campbell took over for Wright in the fourth quarter after Wright tossed two interceptions.

Rams 20, Browns 17

In Anaheim, California, Ron Brown tied the score with a 5-yard touchdown catch and Mike Lansford kicked a 27-yard field goal with 1:25 remaining in the game to give the Los Angeles Rams a 20-17 victory over Cleveland. The Rams are 1-1 while Cleveland fell to 0-2.

The game-winning drive was highlighted by the running of Eric Dickerson, who came back from a dismal, 8-yard first half to finish with 102 yards in 27 carries to lead all rushers.

Dolphins 28, Patriots 7

In Miami, Dan Marino tossed a pair of touchdown passes to Mark Clayton within a 1:36 span of the third quarter as Miami broke away from a halftime tie and went on to bury New England, 28-7.

Marino, who threw five touchdown passes in Miami's season-opening 35-17 victory over Washington, teamed with Clayton on a 38-yard bomb with 12:38 remaining in the third quarter and capitalized on Charles Bowser's fumble recovery 1:36 later, this time connecting with Clayton on a 15-yard scoring pass.

Lions 27, Falcons 24

In Atlanta, Ed Murray drilled a 48-yard field goal 5:06 into overtime to give Detroit a 27-24 victory over Atlanta.

The Lions, squaring their record at 1-1, drove 51 yards with the extra period kickoff, with Gary Danielson contributing the key play, a 30-yard pass to David Lewis down the middle for a first down at the Atlanta 34.

Chiefs 27, Bengals 22

In Cincinnati, Todd Blackledge passed for two touchdowns and Nick Lowery kicked a 40-yard field goal with 1:50 remaining to seal Kansas City's 27-22 victory.

Blackledge lofted a 46-yard scoring pass to Anthony Hancock and fired a 19-yard scoring strike to Carlos Carson to help the Chiefs improve to 2-0. Kansas City also got a 5-yard touchdown by Theotis Brown and field goals of 52 and 40 yards by Lowery. (AP, UPI)



John McEnroe, victorious once again in the U.S. Open.

VANTAGE POINT/Thomas Boswell

2 Young and Unhappy Millionaires

Washington Post Service

NEW YORK — Once an athlete reaches the top level of his game, it often seems that his central project suddenly becomes more complicated. Instead of learning to improve his game, he must learn to improve himself.

Where victory was once the only goal, the obsession becomes a search for grace and personal style. Nobody tells the John McEnroes and Ivan Lendlis that, after they have become stars, they must still become men who can carry themselves well in their own and in others' eyes.

At the U.S. Open on Sunday, both McEnroe, who won his national title for the fourth time, and Lendl, who lost in the final for the third straight year, seemed to make some tiny, arduous and incremental progress in their battles to change their personalities.

Neither one yet seems terribly happy with himself. Each talks constantly about his attempt at self-improvement. And each still agonizes that he is barely popular, rarely appreciated and seldom cheered.

Nonetheless, each seemed more at ease Sunday evening. McEnroe, with his customary triumph in a Grand Slam setting and Lendl with his customary humiliation.

Neither needs to learn much more about tennis. They stand as the top two in history in money winnings with \$12 million between them. What has tormented both in recent years is the thought that, while they may be winning at tennis, they may be losing at life.

Tennis often seems to be the sport of young unhappy millionaires, with McEnroe and Lendl the two saddest male examples of the phenomenon.

McNasty and Ivan the Choker. What gruesome nicknames for fellows who are not felons. In both their cases, great talent, dedication and wealth have all been tinged



Ivan Lendl...demoralized again.

with bitterness because of a flaw of temperament or, perhaps, merely by a set of mannerisms that run against the grain of contemporary social rules.

Some say that Lendl should work on his volley and his backhand. In his heart, what he really wishes he could improve are his smile and his snarl. Nobody thinks he has humor or heart.

After being demolished in straight sets, 6-3, 6-4, 6-1, Lendl was at elum as only he knows how to be. He did not seem a fraction as demoralized Sunday, however, as he did last year after quitting in a 6-0 final set against Jimmy Connors.

"He was just playing well," Lendl said of McEnroe. "All I could do was just keep trying and I did." Lendl gave a credible effort to the end, despite a 225-minute, five-set match the day before.

"The only realistic change I can make in my strategy against him is to return his serve better," Lendl continued. "Without breaking him, you will never beat him. I just have to practice against left-handers and return and return and return. The problem is that, no matter what left-hander you find in the world, none of them is going to serve and volley like McEnroe."

Just as Lendl knows he must show more emotion, as he did in beating Cash, he also knows he must vary his strategy against McEnroe by coming to the net more often. But playing styles are linked to personality styles, and they are tough to change.

"He was coming in a lot early in the match," McEnroe said. "He surprised me. But after he got behind, he gave up on that strategy and just looked kind of discouraged."

Sometimes an athlete's progress is so slow that you wonder if it exists at all. Was Lendl's fire against Cash a mirage? Was that discouraged look Sunday afternoon the real Lendl returning?

If the jury is still out on Lendl's gumption and his ability to incorporate new tactics into a stiff-necked personality, then the first hints of a verdict may be arriving on McEnroe.

Maybe it is wishful thinking, maybe it is just the 89th New Year's resolution by a spoiled child, but it seems that McEnroe is growing up. A little.

"I think I've gotten better this year," he said of his behavior. "And part of the reason is that, after losing the French, I had to stay away from controversy. It was taking too much away from my game. I said to myself, 'I just gotta stop doing it.'"

In the first dozen games this day, when he was frazzled and short-fused from Saturday's effort against Jimmy Connors, McEnroe could have blown his cork and blown a title, too. Instead, he was never close to losing it.

Darling Hurls Mets Over Cubs, 5-1

United Press International

NEW YORK — Led by pitcher Ron Darling, shortstop Hubie Brooks and first baseman Keith Hernandez, the New York Mets beat Chicago, 5-1, on Sunday to move within six games of the division-leading Cubs. By winning two of the three games in the crucial weekend sequence, the Mets kept themselves alive.

Darling (12-6) was the star of Sunday's victory, stopping the hard-hitting Cubs on six hits before

tingering in the ninth. He was replaced by Jesse Orosco after giving up a leadoff homer to Gary Matthews. Orosco got the last three outs.

The Mets scored all of their runs in the sixth off relievers George Frazier and Warren Brusstar. Scott Sanderson left after five innings with back problems.

Sanderson had blanked the Mets on four hits over the first five innings, but Mookie Wilson opened the sixth with a triple off Frazier (5-3) and scored when Keith Hernandez doubled to right center. Darryl Strawberry struck out but reached first when the third strike bounced past catcher Jodie Davis for a wild pitch.

George Foster followed with a run-scoring single, and Brooks greeted Brusstar with his 15th homer of the season, a three-run shot.

Phillies 6, Expos 5

In Montreal, Rick Schu scored the tying run on a ninth-inning ball and again on John Russell's 11th-inning sacrifice fly to help Philadelphia snap a six-game losing streak with a 6-5 triumph over Montreal. The winner was Larry Anderson (3-3), and Kevin Gross gained his first save. Mike Schmidt hit his 30th homer for the Phils.

Cardinals 2, Pirates 1

In Pittsburgh, Andy Van Slyke hit his sixth homer, and Danny Cox and Bruce Sutter combined on a seven-inning shutout. Sutter (2-1) benefited from four double plays. Sutter picked up his 40th save, extending his National

League record. The major-league record is 45, set last season by the Royals' Dan Quisenberry.

Padres 8, Astros 4

In San Diego, Steve Garvey and Carmelo Martinez drove in two runs apiece to help the Padres beat Houston, 8-4. The Padres' magic number for clinching the first title in their 16-year history is 11. Mark Thurmond (13-7) was the winner. Mike LaCoss (7-4) took the loss.

Reds 5, Dodgers 1

In Los Angeles, Tom Browning scattered 10 hits over 8½ innings in his major-league debut to lead Cincinnati to a 5-1 victory over Los Angeles.

Giants 6, Braves 4

In San Francisco, Rob Deer ripped his first major-league homer, and rookie Chris Brown chipped in a two-run double to lead the Giants to a 6-4 triumph over Atlanta. Mark Davis (5-16) was the winner in relief, and Greg Minton earned his 18th save.

Royals 6, Mariners 5

In the American League, at Kansas City, Darryl Motley and Don Slaught lifted back-to-back sacrifice flies in the ninth inning to rally the Royals to a 6-5 victory over Seattle. The triumph enabled the Royals to assume the lead in the American League West.

Rangers 9, Twins 3

In Minneapolis, the Twins fell to a game back when Donnie Scott hit a three-run homer and Charlie Hough continued his pitching mas-

tery of Minnesota, leading Texas to a 9-3 rout.

White Sox 8, Angels 2

In Chicago, Tom Seaver pitched a four-hitter for his 287th victory, and Greg Walker hit his 23d home run of the year to pace Chicago to an 8-2 triumph over California.

Red Sox 10, Yankees 1

In Boston, Jim Rice hit a two-run homer, and Wade Boggs had four hits and drove in two runs as Boston beat New York, 10-1. Al Nipper (9-5) scattered five hits to pitch his fifth complete game. The rookie struck out three and walked three and did not allow an earned run. Marty Bystrom fell to 2-2.

Orioles 4, Brewers 0

In Baltimore, Mike Boddicker registered his 18th victory, and Cal Ripken hit his 24th home run, lifting the Orioles to a 4-0 victory over Milwaukee. Bob Gibson (0-3) took the loss.

Indians 7, A's 5

In Cleveland, Julio Franco singled home Junior Noboa with the go-ahead run to cap a five-run fourth, leading the Indians to a 7-5 victory over Oakland.

Tigers 7, Blue Jays 2

In Toronto, Kirk Gibson hit a three-run homer, and Lance Parrish chipped in a two-run single, helping Detroit complete a sweep of their three-game series with a 7-2 victory over Toronto. The decision reduced the Tigers' magic number for clinching the division title to nine. Milt Wilcox (16-7) recorded his fifth consecutive victory.

Italian Basketball Revamps Rules to Enliven Games

The Associated Press

ROME — Italy's professional basketball league is revamping its rules this season to try to liven up its games. One of the changes includes the addition of the three-point shot.

The 15-year-old league, with a handful of American stars, hopes that bringing more scoring to the game will attract new fans. Attendance last season showed signs of leveling off after five years of spectacular growth.

"The three-pointer will mean more scoring and force teams to play more aggressive defense, maybe even man-to-man," a league spokesman, Walter Borelli, said. "And that will mean a better show."

Three points will be awarded for shots made from outside an 80-foot (6.096 meters) from the basket. The National Basketball Association's three-point arc is 23 feet 9 inches at the corners to 23 feet, 9 inches at the point.

Since the 1978-79 season, the number of spectators watching the 32 Italian teams rose 63 percent. But in 1983-84, attendance for games in the top division, at 866,490, was virtually unchanged from the previous season.

The major obstacle to making the game more entertaining and appealing, coaches and commentators agree, is the zone defense. But the Italian league does not dare impose a ban on the "weaker teams," Borelli said. "The zone is the great equalizer. It's the only way they can hope to win."

And giving the weaker teams a chance to win is important because of the Italian fans' special attitude toward the game.

Most of them are awed by the exploits of National Basketball Association stars such as Julius Erving and Magic Johnson, players as familiar to them through basketball magazines and broadcasts as their own heroes. But with the Italian fans, it matters not how the game is played, but whether you win or lose.

"The mentality is different than in America," Borelli said. "Results are taken much more seriously. People go to a game to see their team win. If it doesn't, they stop going. If we take away the zone, we'll have a lot more empty seats."

Faced with the dilemma of trying to speed up play and give players more room to move without eliminating the zone, the league has, along with adding the three-point basket, decided to expand the court to full NBA size.

Other changes include:

• One-and-one free-throw chances.

• Keeping time elapsed on the shot clock when a ball goes out of bounds, rather than resetting the clock to the full 30 seconds.

• Changing the penalty for a five-second violation in the lane from a time-consuming jump ball to loss of possession.

There is plenty of talent in Italy to take advantage of the more open game. Each team can sign a maximum of two foreigners, usually

American imports with college and even NBA experience, and many of whom earn upwards of \$100,000 per year. Former NBA players like Scott May, Jan van Breda Kolff, Jim Brewer and Leon Douglas excel on Italian rosters.

Returning to Italy this season after stints in other European leagues are Marcellus Starks, joining the Treviso team, and Bob Morse, whose scoring during nine seasons in Varese made him Italy's top star. Morse, an accurate jump shooter, who probably will hit a lot of three-pointers, will play for Reggio-Emilia.

Another returnee is Steve Hawes, suiting up for Carrara of Venice after a 10-year career in the NBA. The deadline for signing foreign players is Sept. 25, allowing teams to pick up players cut by the NBA. The season opens in late September.

But the situation has improved. After years of backroom deals, the system of hiring and dealing with foreign players is being standardized.

A rule introduced last year made it mandatory for all contracts to be filed with the league office. A special NBA-style draft also was instituted last year including all players with experience in Italy. And this year it was expanded to include all players in Europe.

The league hopes to have a draft including the U.S. pro and college ranks in the future, although officials acknowledge that the circuit is not yet in a position to compete with the NBA's money or prestige.

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Cleveland	000 000-0 7 1	San Francisco	000 000-0 7 1
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San Francisco	000 000-0	Los Angeles	000 000-0 7 1

ART BUCHWALD

Of Church and State

WASHINGTON — The issue of the separation of church and state has reared its head in the 1984 presidential campaign. It may not be good for the state but it's not bad for television preachers.

My favorite, the Right Reverend Rolls-Royce, devoted his entire hour to this subject the other morning. He said:

"I'm going to speak to you today about God, sin and the American election. The secular humanists would have you believe that religion must not play a part in government — that we should not mix religion when it comes to electing the greatest president on this green globe."

"Well, my friends, the Bible has something to say about this. What does the Bible say about state and religion? You can find out by sending \$30 for this velvet-bound illustrated edition, which we have printed at cost, to guide you in making what could be the greatest decision of your life. For those of you who can't afford this beautiful gold-trimmed book, we are offering a paperback edition for \$15, so no one can say that he or she wasn't informed on the issues."

"Do religion and government mix? Well, I'm going to tell you a story. A man came to me last month and said he didn't think he was better off today than he was four years ago. He had lost his job, his benefits were running out and he could hardly feed his family on the food stamps that he was receiving. He told me because of his precarious situation he was confused and didn't know whom to vote for in November."

"I told him when he goes into the voting booth, he must not think of his own petty problems. He must decide which party's platform supports God and which party's platform supports Satan. I gave him copies of both parties' platforms. Do you know what this man did after reading them? He gave me his last \$5 for a Reagan bumper sticker."

"The aggressive humanists would have us believe that the fa-



Buchwald

thers of the Constitution deliberately set out to keep state and religion separate. Well, I'm holding a copy of the Constitution in my hand, the most beautiful political document ever devised by man. This document can be yours free, if you send \$10 for postage costs and handling. It is printed on parchment with the First Amendment in bold red type. Whenever a humanist cites the Supreme Court on keeping religion out of the government you can show him this document to prove the Supreme Court justices are wrong."

"My friends, too many of us take it for granted how blessed we are to live in a country under God. We're afraid to show our true feelings. But we're the greatest so it can be heard all the way to the Kremlin. You may be asking how you can do this. You can do it by displaying this American flag. For just \$100, you can hang one of these flags in your window. I have personally blessed each of them, so you're not just buying an American flag, but one that was touched by God's hand."

"Don't just sit there and let the secular humanists turn this country into a Communist state. Go to your phones now and call this toll-free number. If God didn't want you to have this flag he wouldn't have let me accept your American Express, MasterCard or Visa cards."

"I want to conclude this broadcast by telling you about the wonderful prayer breakfast I attended in Dallas where I heard the inspirational words of our great president. After the breakfast I went up to our Commander in Chief on Earth to bless him. I would like to share that moving moment with you. My wife Lulubelle took an instantaneous photograph of the president shaking my hand. If you will send just \$20 we will mail you a framed copy of that picture, which you can hang in your living room to show your friends. It is something you will cherish for the rest of your life. This is a collector's item and the only picture in existence of Ronald Reagan and myself. The offer is limited to the first 30,000 people who send in their checks. After that we will burn the negative and no one will be able to reproduce this miracle photograph again."

A New Day A-Borning on the Erie Canal

By Edward A. Gargan

New York Times Service

PITTSFORD, N.Y. — Dale Hatch, the chief lock operator, twisted two gleaming brass levers, and three million gallons of water began rushing into Lock 32, raising two tugboats gently to the next level of the Erie Canal.

Hatch is a canner, like his father and grandfather before him, and one of 35 lock operators along this 340-mile (550-kilometer) stretch of fluid highway.

To Hatch, the canal that Governor De Witt Clinton opened in 1825 is a "grand old lady." It is a place where a youngster can squat on its bank, fishing pole in hand, where molasses barges chug toward Toronto, and where tourists travel on later-day packet boats. It is also the place where electricity is made, where the vanishing fraternity of lock keepers polish brass electrical switches made 70 years ago and where the state's first urban cultural park is found.

And now, the canal that Clinton opened — "a bond of union between the Atlantic and Western states," he said at the time — has become a place for change once again.

Although commercial activity



Operator Dale Hatch

The Emira II, carrying tourists, steams west on the Erie Canal in upstate New York.

The New York Times

on the canal system continues to decline, a \$50-million, five-year rehabilitation of the waterway — such as upgrading locks, dredging and reconstructing some banks — has been started by the state.

And even as pleasure boaters meander along the waterway, state and private developers are in the midst of transforming its sleepy waters, at an ultimate cost of \$2.5 billion, into a pinchpoint of small hydroelectric projects that will produce 200 megawatts of electricity by the end of the century. Though it will account for but a fraction of the total state energy needs, these small projects will ultimately displace more than two million barrels of oil a year, state officials say.

Today, the Erie Canal — together with the Champlain, the Oswego and the Cayuga-Seneca canals — bind New York together with 527 miles of waterways under the anachronistically named New York State Barge Canal. It is not the ditch of Clinton's day, although the canal that cuts from Albany to Buffalo parallels the route of the old Erie.

Last year, while there were 25 percent fewer barges carrying jet fuel, asphalt and molasses along the canals than there were in 1982, the number of pleasure craft going through the 57 locks increased nearly 14 percent, reflecting a continuing shift in the use of the canals.

But to Hatch, the Erie Canal is special for a variety of reasons.

PEOPLE

Alf Landon Reaches 97

Alf Landon, the Republican Party patriarch, celebrated his 97th birthday Sunday with a telephone greeting from President Ronald Reagan, who called him a "folk hero." Landon, who marked his birthday with a lawn party thrown by Kansas Republicans at his home in Topeka, Kan., responded by saying: "In all my 97 years I don't know of a president who has occupied such a strong, stout-hearted position of leadership that you do."

Landon recovered from surgery for a broken hip last year. He is probably best remembered for his defeat in the 1936 presidential race by Franklin D. Roosevelt, in which he failed even to carry his home state.

would have hindered me from going elk hunting."

Lady Norah Docker, a car salesman's daughter who married three millionaires and lived in Britain's gossip columns in the 1950s, left only £39,650 (about \$50,353) in her will, which was published Monday. "She spent the lot," said her only child, Lance Callingham, 45. Lady Docker and her third husband, Sir Bernard Docker, an industrialist, drove in a gold-plated Daimler and threw lavish parties on their yacht. Sir Bernard died in 1978, and his wife died in a London hotel last December at 76.

Ingemar Stenmark, a three-time World Cup overall skiing champion and winner of two gold medals at the 1980 Winter Olympics, has married the former airline hostess with whom he has been romantically linked for five years, according to a report released Monday. The Swedish skier, 28, apparently didn't tell his parents about his marriage in a Stockholm suburb last Friday to Ann Uhlberg. "Well, they didn't tell me when their child was born last spring either," said Erik Stenmark, his father. "And besides, nothing — nothing —"

Prime Minister Margaret Thatcher of Britain and her husband, Denis, have put their London home in the fashionable Chelsea district up for sale and are asking at least £250,000 (about \$317,000). A spokesman for real estate agents Keith Cardale Groves said Saturday the Thatchers have lived for 15 years in "an exceptional family home that has been extremely well maintained." He said he didn't expect any difficulty in selling the property, adding: "The identity of the former owner might help the sale."



NASTASE WEDS — He Nastase, a former tennis champion, escorting Alexandra King from St. James Episcopal Church in New York City after their wedding Saturday.

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